

BOROSIL®

Gujarat Borosil Limited

CIN : L26100MH1988PLC316817

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.gujaratborosil.com Email : gborosil@borosil.com

May 15, 2019

BSE Limited

1st Floor, New Trading Ring
Rotunda Building
P. J. Towers, Dalal Street Fort,
Mumbai – 400001

Scip Code: 523768

Sub: Transcript of Institutional Investors and Analysts Conference Call

Dear Sirs,

We enclose transcript of conference call with Institutional Investors and Analysts which was held on May 08, 2019.

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For Gujarat Borosil Limited



Kishor Talreja
Company Secretary and Compliance Officer
Membership no. FCS7064

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 gborosil@borosil.com



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Gujarat Borosil-08052019

– **MODERATOR**

– Ladies and gentlemen good day and welcome to the Gujarat Borosil Q4 FY19 Earnings Conference call hosted by Prabhudas Lilladher Private 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 * and then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jinesh Joshi. Thank you and over to you sir.

– **MR. JINESH JOSHI - PRABHUDAS LILLADHER PRIVATE LIMITED**

– Thanks Nirav. On behalf of Prabhudas Lilladher I welcome you all to the 4Q FY19 Earnings Conference Call of Gujarat Borosil Limited. We have with us the management represented by Mr. PK Kheruka: Chairman, Mr. Ashok Jain: Director, and Mr. Sunil Roongta: CFO. I would now like to hand over the call to the management for opening remarks after which we can open the floor for Q&A. Thank you and over to you sir.

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– Good afternoon. My colleagues and I are glad to welcome you to this investor call. Thank you for joining. Gujarat Borosil announced its financial results for the year ended March 2019 yesterday. The investor presentation has been uploaded on our company website and that of the stock exchange. I shall begin by touching upon the highlights of the company's performance for the year and some developments and would then welcome your questions.

– Coming to the financial performance in financial year ended 31st March 2019, net revenue from operations was Rs. 217 crores, a growth of 9.4% over financial year ending March 2018. The company's sales comprised 78.6% to the domestic market and about 21.4% from exports which are primarily to Europe. The unit pricing during financial year 2019 was higher than in the previous year by about 5%. The company's EBITDA margin improved to 20.9% as compared to 19.7% in the previous year. A part of the improved realisation was offset by higher power and fuel cost owing to an increase in prices by GAIL for natural gas, and rise in exchange rate of the US dollar. The company continues to control its controllable costs through various initiatives. The productivity from the furnace improved from an average gross pull of 169 tonnes per day in financial year 2018 to 173 tonnes in financial year 2019. The improvement in EBITDA margin is lower than the increase in sales price also on account of lower margin earned on the additional revenue generated from imported annealed glass which was tempered and sold to utilise spare tempering capacity with us. The profit before exceptional items was Rs. 14.2 crore, a growth of 64% over the previous year. Profit after tax for the year gone by was Rs. 10 crore, a growth of 44% over Rs. 6.9 crores in financial year ended 2018.

– During financial year 2019 sales of fully tempered 2mm solar glass an innovation from Gujarat Borosil were about Rs. 8 crores. On the last call we had shared that customer for our 2 mm tempered solar had requested for hole drilling at the back of the glass. A high capacity equipment for this purpose was procured and installed by us recently. In addition to the sales of 2 mm solar glass we also have been having very good sales of 2.8 mm solar glass which is a thinner substance which is made possible by the new line that we have. This has been welcomed by the customers and its usage is gradually getting higher.

- So coming to the performance during the fourth quarter of the last year, net revenue at Rs. 62.1 crores grew by 13.4% over the last quarter of 2018, buoyed partly by sales of tempered glass using imported annealed glass. Margins during the quarter came under pressure. Low cost imports into the country from China and Malaysia made it necessary for us to reduce prices by about 5% from the previous quarter to clear inventories. EBITDA margin during quarter 4 was 14.5%. Profit before tax and exceptional items was Rs. 1.3 crores and profit after tax was 0.8 crores.
- The company's brown field expansion to double the capacity is progressing as per plan. We expect to start trials by July 2019. Once stabilised we expect to achieve full capacity in a few months. The company estimates the annual revenue from such sales to be about Indian Rupees 225 all the way up to 250 crores. The project cost inclusive of working capital is expected to be Rs. 275 crores. The existing furnace which is in uninterrupted operations in its 10 year of operation will be taken for rebuild once the production from new furnace gets stabilised. The output from the present furnace in its remaining life could be somewhat lower due to old age, which can have some impact on financial performance for the current quarter.
- Gujarat Borosil remains the only manufacturer of tempered solar glass in India. Currently, it services about 20% of India's solar glass demand. We expect that the additional capacity from the new project will remain a modest portion of India's rapidly growing appetite for solar glass. We will also continue to service demand from Europe. Additionally, the company's in discussions to increase its presence in the US market.
- To summarise a few developments in the solar industry, in calendar half year 2018, China cut its program on new solar installations by 30%. This has increased global supply and put pressure on sales and prices. While the Chinese demand has started to show some improvement in the last 1 to 2 months, we need to observe the trend. The domestic demand has been remaining subdued due to policy related issues and lack of interest by developers due to ceiling on prices. The project tendering activity had reduced and auctions over last 2-3 months were significantly lower. GST related issues still continue to bother the industry. The above have led to short term pressure on pricing. Consequently, our sales realisation for the last quarter was lower by about 5% which is in addition to the drop of 3% already witnessed in the third quarter. Lower price realisation in quarter 4 was partly attributable to servicing orders from a few large customers at competitive prices to liquidate stocks.
- The government is extending policy support to solar power sector by way of CPSU Scheme, solar water pumps and roof tops. This will result in sustained high level of activity for the next few years. Government has announced policy for 12 gigawatts to be installed under the CPSU over 4 years. This scheme mandates use of domestically made cells and modules, and will be supported by viability gap funding of about 18-20%. This augurs well for the demand for glass as modules are to be made in India. However, this has not so far created any buoyancy in the market, partly because the tenders are yet to be called and awarded.
- MNRE had called for a meeting of all stakeholders to brainstorm the issues faced by the solar power sector and measures required to debottleneck various issues around demand, land availability, regulatory, viability and manufacturing. We expect certain recommendations will emerge from this which should be directed towards improving the sector. The MNRE has issued a blueprint for the utilisation, manufacture, disposal and import of solar module and glass containing antimony. Antimony is a chemical element that has been found to have hazardous effect on the

environment. We will be closely watching the developments in this space as the same is directly related to our business.

– The company's board on the 18th of June had approved a composite scheme of amalgamation and arrangement. The NCLT has directed a meeting of the various stakeholders on May 14th and 15th to consider approval of the scheme. The appointed date as per the scheme filed is 1st October 2018.

– So to conclude, notwithstanding the temporary pricing pressure faced in the recent past from cheap imports, we remain positive and confident about the medium and long term outlook for the solar industry and for Gujarat Borosil Limited. We will remain a reliable domestic source for our module manufactures in India. For our customers in the developed markets we will be a high-quality supplier, including the only global supplier of 2mm fully tempered solar glass in the near term. Given its low cost of ownership and superior productivity, we expect 2mm solar glass to increase its market share over the next few years even though the adoption maybe gradual. That is the summary of our performance and developments this quarter. With that background I would now welcome questions from you.

– **MODERATOR**

– Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. A reminder, you may press * and 1 to ask a question.

– The first question is from the line of Jatin K from Alpha Capital. Please go ahead.

– **JATIN K – ALPHA CAPITAL**

– Hello sir. Thanks for taking my question. My first question – can you please elaborate why do you think this current pricing is temporary nature and not a long term one?

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– Well part of the reason is that the current price is a sort of an emergency price which has been adopted by the foreign companies to sell off their surplus capacities. Their normal operating prices are a bit higher and we expect that they will be resumed once their surplus capacities have been exhausted.

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– Just to give you an idea, the import price from say Malaysia which dropped to 3.6 dollars per square meter has already risen to more than 4.2 dollars in the last one month or so. So, the prices are coming back to the earlier level. So, we hope that these prices will stabilise at a little higher level.

– **JATIN K – ALPHA CAPITAL**

– And sir this 3.6 and 4.2, what was the pricing in say two quarters back when things were normal?

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– Yeah 4.3 dollars.

– **JATIN K – ALPHA CAPITAL**

– So now things are almost back is what you are saying now. Current prices are almost back.

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– That's right.

- **JATIN K – ALPHA CAPITAL**
- And sir we were trying for anti-dumping duty on Malaysia and that was considered and I guess that was rejected. Can you please explain why was that rejected and what could be the impact on us?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- You see the application was rejected because they said that the lower prices arose from subsidies on inputs being received by the manufacturer. So now we are having to file a separate application to the government to give us a relief on account of the subsidies. So, they will be imposing some other type of duties. It is not antidumping duties. It is a different nomenclature under the WTO rules.
- **JATIN K – ALPHA CAPITAL**
- Okay. And now we are saying our pricing is improving back to 4.2 and also what would be our EBITDA margin on this normalised pricing?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- EBITDA margin will undergo a change because once we have production coming in from our second furnace in July, that should improve the overall competitiveness of the company. And the other thing is that we had a temporary setback in the production which has come back again into the normal range of production. So we do expect some improvement to happen. It could go up to between 23 and 25%.
- **JATIN K – ALPHA CAPITAL**
- You mean EBITDA margin will go up to 22-23.
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- 23-25 yes.
- **JATIN K – ALPHA CAPITAL**
- Okay. And sir we are doubling our capacity, when will that come online?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Sometime in July hopefully.
- **JATIN K – ALPHA CAPITAL**
- Okay. And sir this NCLT they have asked for equity shareholders' meeting. After that will again go to NCLT for final approval, then we will go to registrar ROC and all. So I guess a lot of time still left. Do we think this will be completed in this year 2020?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- In the year 2019-20 we certainly hope and expect that it should be done before the current financial year is out.
- **JATIN K – ALPHA CAPITAL**
- Okay that's it from my side sir. Thank you and I will join back the queue.
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Thank you very much.
- **MODERATOR**
- Thank you very much. The next question is from the line of Nihal Kumar from Axis Securities Limited. Please go ahead.
- **NIHAL KUMAR – AXIS SECURITIES LIMITED**

- Yeah sir thank you sir for the opportunity. I just want to know how the new plant is going to have impact on EBITDA margin. So you are saying it will go towards 23-22 % right?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Yeah, I said 23-25%.
- **NIHAL KUMAR – AXIS SECURITIES LIMITED**
- So that will be due to cost reduction? Solely on the basis of cost reduction? Or you are counting in, factoring in the revival of realisation also in that?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Well actually I am factoring mainly the improvement in the cost structure, because of shared overheads, that is one thing. The second thing is that the plant has a larger capacity, larger production capacity. So therefore, the overall cost comes down. The employee cost comes down and the sales realisation also we expect will be a little better because at the moment the trend looks like going upwards gradually.
- **NIHAL KUMAR – AXIS SECURITIES LIMITED**
- Yeah so I just want to know if we do not factor in that going forward realisation will improve and in a hypothetical situation if it stays at current level or just a little bit of improvement, what would be the impact on EBITDA purely on the basis of cost optimisation due to the new plant that we are going to operate?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Yeah in this case our EBITDA expectation may drop by about 4-5%. So, the real EBITDA in this situation could be about 19% or so. 19-20.
- **NIHAL KUMAR – AXIS SECURITIES LIMITED**
- Okay, okay sir. Thank you sir. I will get back to the queue.
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Thank you.
- **MODERATOR**
- Thank you. A reminder to all the participants. You may press * and 1 to ask a question. The next question is from the line of Ranganan Venkatraman from Brilliant Securities Limited. Please go ahead.
- **RANGANAN VENKATRAMAN – BRILLIANT SECURITIES LIMITED**
- Hello sir. Thank you for giving me the opportunity. Now at the full expanded capacity the likelihood of turnover will be roughly about 300 crores maybe? Because I find when your turnover increases marginally by 8%, your profit before tax from 863 to 1417. So it is a high margin business. Can you throw some more light on that?
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- Certainly. To answer your first question, we expect that with the new capacity coming in, the turnover would go up to between 450-475 crores in the first complete year that is to say year ended March 2021. Alright?
- **RANGANAN VENKATRAMAN – BRILLIANT SECURITIES LIMITED**
- Correct.
- **MANAGEMENT – GUJARAT BOROSIL LIMITED**
- And I must say that the existing furnace is quite old and as we have mentioned in the past, once the new production line comes into full production, and it has stabilised, we shall immediately

cool down the existing line and rebuild it. But at the time of rebuilding the capacity of this line will be going up from the current 180 tonnes to could be say about 210 tonnes or could be more which is something that will be a little difficult to predict now. But it would definitely be much higher than what it is currently. So, the full year beginning from 2020-21 will see the full output from both the furnaces. Now your – sorry you had another question.

– **RANGANAN VENKATRAMAN – BRILLIANT SECURITIES LIMITED**

– See the point, what is the marginal cost of that going to be and what is the useful longevity period of furnace like that?

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– The life of the furnace, it is running in its 10th year of operations. I would say internationally, people shut it down in about 7 years. But we have been able to continue till the 10th year. We have purchased better refractories this time. So, we hope that the next one should last 10 years comfortably. And the question was about...

– **MANAGEMENT – GUJARAT BOROSIL LIMITED**

– Cost of repair for the current furnace is going to about 40 crores. So on a say CAPEX of 200 crores you can say it is about 20%. So, when you rebuild the furnace it will cost that much.

– **Mr. Ranganan Venkataraman – Brilliant Securities Limited**

– So interest cost and naturally when the turnover goes up the fixed overheads will almost remain same. There will not be much increase, correct.

– **Management – Gujarat Borosil**

– No, there will not be much increase.

– **Mr. Ranganan Venkataraman – Brilliant Securities Limited**

– But what will be the market share of our product. Do you foresee any players coming in and what is the cost of replacement of such a unit today? if somebody wants to move in what lead time and naturally ease of doing business is not that much implemented in India as of now. And what will be rough cost?

– **Management – Gujarat Borosil**

– See, we are spending 275 crores in a brown field expansion in which we are using a lot of the existing equipment which we already have. But if this was to be a completely brand new plant, I would say that the cost would easily be somewhere between 350 to 400 crores easily.

– **Mr. Ranganan Venkataraman – Brilliant Securities Limited**

– Thank you very much. Wish you all the best, sir.

– **Management – Gujarat Borosil**

– Thank you.

– **Operator**

– Thank you. A reminder to all the participants you may press star and 1 to ask a question. The next question is from the line of R. Narayanan from National Security Advisors. Please go ahead.

– **Mr. R. Narayanan – National Security Advisors**

– Yeah. Hi, sir, thanks for giving me the opportunity. I just had a couple of queries. One is new capacity will come in July. In the current financial year and the next financial year what would be the likely capacity utilization of the plant.

– **Management – Gujarat Borosil**

– We feel that capacity utilization will be total and the reason for that is that as the matter stands today our one furnace is supplying about 20% of demand in India. So there is enough demand in the country (we being the only solar glass manufacturers in the country). So, there is no shortage of demand. So we should be able to utilize the entire capacity more or less as soon as the glass becomes available. Of course, this is all subject to, you know, the best prices that we can get which is anybody's guess. We feel that last year Chinese government's decision to slash their budget for solar power installation by 30% had created a big shock in the market. But that shock seems to have been absorbed now. So now there is more or less a balancing of production and sales. The prices have already come back to the previous level from China. So we hope that there should not be too much of a difficulty in being able to get a reasonable price as well.

– **Mr. R. Narayanan – National Security Advisors**

– So, the combined capacity would be somewhere around 360 tons per day?

– **Management – Gujarat Borosil**

– No, the combined capacity would be a lot more than that. You see when we buy these plants we get capacity of 210 tons per rated, okay. But our existing line was sold to us at a rated capacity of 130 tons per day. But we have been operating it at 180 tons per day which is at least 50 tons more than rated capacity for the last 6 years. So, we expect that the new lines we are getting at 210 tons rated capacity should give us anywhere between 235 to 250 tons per day, that's our expectation based on our experience.

– **Mr. R. Narayanan – National Security Advisors**

– So roughly it would be more about 400 to 450 tons per day kind of ...

– **Management – Gujarat Borosil**

– Yeah, 450 to 500 tons a day is what we expect.

– **Mr. R. Narayanan – National Security Advisors**

- And what would be the peak asset turn, sir, at the optimal capacity utilization.
- **Management – Gujarat Borosil**
- Approximately one to one. Our asset base will be about 450 crores and we can generate about 475 crores or so of turnover. So it will be 1 or 1.1 or so.
- **Mr. R. Narayanan – National Security Advisors**
- Okay, sir. Is there some sort of revenue book to bill or some sort of system where we can gauge, how the orders are coming in and the consistency in terms of the visibility of the orders and execution? Because so far the only thing that we can gauge is that there is plenty of opportunity. But if that could be traced to the book to bill ratio that would help us a lot to find out how much orders we would have in hand, sir.
- **Management – Gujarat Borosil**
- See the orders are generally placed on an ongoing basis by our customers. Everybody likes to keep themselves open given the sort of behavior in the market where prices can suddenly drop and where prices can suddenly become very firm. That's the way China operates. In China it is always the spot price. There is no such thing as order booking. And Indian customers tend to take the view that they would rather wait till the last moment before ordering glass. So all this sometimes works in our favor because sometimes they wait so long that they don't have the opportunity of imports. So, then they are obliged to buy from us.
- **Management – Gujarat Borosil**
- So, generally the order book is about three weeks or so maybe one month and we don't accept the longer order placed because of the reasons explained by Mr. Kheruka about the pricing changes. So, the order book is on an average about a month of sale.
- **Mr. R. Narayanan – National Security Advisors**
- Okay, sir, presently your domestic to export ratio will be 80 is to 20, right.
- **Management – Gujarat Borosil**
- Yeah, slightly better than that.
- **Mr. R. Narayanan – National Security Advisors**
- How much would that turn out once you have the new capacity also operating under full like, when you see a top line of 400+ crore what kind of export revenues do we target, sir?
- **Management – Gujarat Borosil**
- We expect the export revenue might keep pace with it.

- **Mr. R. Narayanan – National Security Advisors**
- Okay. So currently the capacity is more catering towards domestic businesses. Is that what I have to understand, sir.
- **Management – Gujarat Borosil**
- Frankly speaking our capacity is geared for both. We are very comfortable with exports and we are very comfortable with domestic. So there is no as such gearing if that's a word to use for it. If we were able to get one order for export and one for domestic, we could just service one after the other without any difficulty, there's not much change. Our packing remains the same, our glass remains the same. It is just that one shipment goes to a country which is outside India and the other one goes within India. So, there is no real difference in the treatment that our production gets.
- **Mr. R. Narayanan – National Security Advisors**
- Understood, sir. And in terms of the capex, I understand the total quantum is roughly around 220 or 230 odd crores if I am not mistaken.
- **Management – Gujarat Borosil**
- It is 275 crores inclusive of about 25 crores working capital.
- **Mr. R. Narayanan – National Security Advisors**
- Right. And how much has been incurred till date.
- **Management – Gujarat Borosil**
- About 150 crores crores.
- **Mr. R. Narayanan – National Security Advisors**
- Okay. how is it to be funded, sir, because I remember you saying that you would fund it via debt and internal accruals. So, we will still maintain the same ratios that we have reported right now.
- **Management – Gujarat Borosil**
- The current funding pattern looks likes this. Rs 125 crore has come by way of an ICD from Borosil Glass Works and the balance will come by way of debt. And that is out of 250 crores which is the capex amount. Rs 25 crores is the working capital amount. So out of 250, 125 will be debt and 125 will be money from Borosil.
- **Mr. R. Narayanan – National Security Advisors**

– But does that investment from Borosil change in any way given that we are currently undergoing a restructuring scheme. Will those future funding from Borosil Glass be impacted.

– **Management – Gujarat Borosil**

– Yeah, since Gujarat Borosil will merge into Borosil Glass Works that money which has come from Borosil Glass Works, will convert into other equity. It will no longer remain a debt.

– **Mr. R. Narayanan – National Security Advisors**

– Okay. The money will be waived off in lieu of the scheme which is being arranged.

– **Management – Gujarat Borosil**

– Yeah, that will be dealt with in the scheme.

– **Mr. R. Narayanan – National Security Advisors**

– Okay. The last question, sir, did the recent tariff orders happening between US and China, what is the outlook for business and any impacts of tariffs on our products.

– **Management – Gujarat Borosil**

– Import prices of products into US from China have definitely gone up and we are having a certain amount of interest in our products coming in from the US. But the US markets is not easy to be able to work with. So we are trying but it may take a little bit of time before it actually becomes a reality. But on the side of the module industry it is becoming better because Indian module manufacturers who are actually quality conscious are able to get orders from US and they are able to increase their exports

– **Mr. R. Narayanan – National Security Advisors**

– So any additional tariffs or hikes will be beneficial for us, or does it work the other way around, where the cost of modules increases, so tempered glass orders, I mean I am just trying to understand how it works especially in this business.

– **Management – Gujarat Borosil**

– Frankly speaking the world's biggest module manufacturer is China so suppose there are tariffs imposed on imports of modules from China that will clearly favor supply of modules from other countries. Now in between there was some discussion that some special facility being given to Indian exports into the US will be withdrawn. I don't know what is going to be the outcome of that. So, it is in a bit of a flux. But somehow my sense is that Indian exports of modules to United States shall probably not face any punitive taxation. If that is the case then definitely high tariffs between China and the US will be beneficial for exports from India.

– **Operator**

– Sorry to interrupt you, Mr. Narayanan, I will request you to come back in the queue for a follow up question. The next question is from the line of Binoy Jariwala from Sunidhi Securities, please go ahead.

– **Mr. Binoy Jariwala – Sunidhi Securities**

– My question is on the gross margins, so this quarter we have seen quite a bit of fluctuation in the gross margin. Could you let me understand the reason for that?

– **Management – Gujarat Borosil**

– Yes, we had an issue in the month of March with production coming out from the furnace. As I mentioned in my opening remarks the furnace is a bit old and we were getting some stones coming in from the furnace which is very difficult to predict from where it is coming and so on, but we were able to finally locate the source and we were able to take remedial action. So, the production has come back to earlier levels since the beginning of May actually. So even the month of April has not been very good. We have been able to take care of the problem to the extent of about 65 to 70% in April, and by the end of April we have been able to take much greater care. So it seems to be back to the level prevailing until February.

– **Mr. Binoy Jariwala – Sunidhi Securities**

– Understood, and this entirely about 680 odd bips of gross margins contraction is attributable to this or is there a component due to the pricing pressure you had taken you know in the Q3 concall you shared that we have taken price cuts also and were likely to take another 1.5 to 2% price cuts in this quarter. So is there a component because of that also.

– **Management – Gujarat Borosil**

– Yeah, the current quarter drop in the gross margin is attributed to a couple of factors. One is as Mr. Kheruka mentioned the productivity and the efficiency of the furnace which caused certain cost increase. We had to keep consuming power even though we were not getting full production output. So, that has caused about 1.5% drop in the gross margin. The fuel consumption, fuel rate was higher because of the international oil prices so that has caused another 1% drop. And some 2.5% drop is on account of sale of imported glass which was converted to finished goods because there we are not earning the same EBITDA margin whereas net profit may be about the same because you are not incurring much depreciation on that. So, at the EBITDA level there was a drop of 2.5%. All this combined would lead to about 5% drop in the gross margin.

– **Mr. Binoy Jariwala – Sunidhi Securities**

– Understood, and that has been likewise there has been some 16% drop in the other expenditure on the YoY basis also, so that is also covered under these factors?

- **Management – Gujarat Borosil**

- In the case of other expenditure, in last year in March '18 quarter there was some excise refund of 5.34 crores out of that some amount is for interest and some amount is charged in expenses account. So, that amount is around 2 crores charged in other expenses.

- **Management – Gujarat Borosil**

- It was a one-time event which had to be adjusted in the last quarter of the last financial year. If you remove that the expenses are almost matching.

- **Mr. Binoy Jariwala – Sunidhi Securities**

- Okay, and the interest expenses, I believe all of these interest expenses, or most of the interest expenses should be relating to the preferential shares.

- **Management – Gujarat Borosil**

- Yes, you are right.

- **Mr. Binoy Jariwala – Sunidhi Securities**

- Okay. What could be the gross debt level as on date?

- **Management – Gujarat Borosil**

- As on current date, the outside debt is about 23 crores in terms of the loan and working capital to the extent of about 10 crores.

- **Mr. Binoy Jariwala – Sunidhi Securities**

- So this is as on 31st March, right.

- **Management – Gujarat Borosil**

- Yeah.

- **Mr. Binoy Jariwala – Sunidhi Securities**

- Understood.

- **Management – Gujarat Borosil**

- The current loan which has been approved for the project has been drawn only partially and the remaining amount will be drawn in the current financial year.

- **Mr. Binoy Jariwala – Sunidhi Securities**

– Understood. And when you said that the new capacity will be operational from July this year, this would be complete commercialization of operations or would this be on trial run basis.

– **Management – Gujarat Borosil**

– From July we will start the firing of the furnace for about a month or so, it would be a trial production. We will try to stabilize the production as quickly as possible, but in glass furnaces typically you never know about the whether you take about one month or two months, but we are safely saying by end of August we will have commercial production, which will be at almost full capacity.

– **Mr. Binoy Jariwala – Sunidhi Securities**

– And what would be the sales for 2 mm glass in Q4 FY'19?

– **Management – Gujarat Borosil**

– In Q4 our sale of 2 mm glass was roughly Rs. 3 crores and for the full year FY'19 it was about 8 crores. Besides this we have also been selling 2.5 and 2.8 mm which last year sales were not significant but now they are improving.

– **Mr. Binoy Jariwala – Sunidhi Securities**

– Thank you, that's all from my side.

– **Management – Gujarat Borosil**

– Thank you.

– **Operator**

– Thank you very much. A reminder to all the participants you may press star and 1 to ask a question. The next question is from the line of Jatin Kalra from Alpha Capital Advisors Pvt. Ltd. Please go ahead.

– **Mr. Jatin Kalra – Alpha Capital Advisors Pvt. Ltd.**

– Hello, sir. Can you please elaborate what will be our total debt once the full capacity comes, once the preferential get cancelled, once the Rs 125 crores from Borosil becomes equity, what will be total debt after that?

– **Management – Gujarat Borosil**

– The total term debt will be 125 crores which is loan to be taken for the expansion project. Besides that there is only a buyer's credit of about Rs 5.6 crores which is currently outstanding which will be paid before December 2019. So as of say March 2020 the amount

will be Rs 125 crores in the form of term loan. The other amount will be working capital loan which could be between Rs. 30 to 40 crores.

– **Mr. Jatin Kalra – Alpha Capital Advisors Pvt. Ltd.**

– Okay, and what will be our interest expense for that term loan?

– **Management – Gujarat Borosil**

– Well, it will be about 10%, the rate is about 10%.

– **Mr. Jatin Kalra – Alpha Capital Advisors Pvt. Ltd.**

– Okay, sir. And in terms of pricing how does domestic market differ from export market for us?

– **Management – Gujarat Borosil**

– Our prices in exports are slightly better compared to the domestic market and that works better for us.

– **Mr. Jatin Kalra – Alpha Capital Advisors Pvt. Ltd.**

– And sir, can you elaborate on the reason for this? We have anti-dumping, but still we have better pricing in exports, why would that be, sir?

– **Management – Gujarat Borosil**

– In Europe also there is anti-dumping duty against China, so that helps us to get better prices in Europe as well.

– **Mr. Jatin Kalra – Alpha Capital Advisors Pvt. Ltd.**

– Okay, that's it from my side, thank you.

– **Management – Gujarat Borosil**

– Thank you.

– **Operator**

– A reminder to all the participants you may press star and 1 to ask a question. The next question is from the line of Rangan Venkatraman from Brilliant Securities Limited, please go ahead.

– **Mr. Rangan Venkatraman – Brilliant Securities Limited**

– See, why the raw material prices have gone by 30%, and can you elaborate what are the major raw materials, and if the power is going to be one of the main sources, any

backward integration is possible in that line, and what is the cash conversion cycle and who were the competitors any if you can just throw some light on that?

– **MANAGEMENT – GUJARAT BROSIL LIMITED:**

– Yeah when you say about the raw material cost going up by Rs. 3 crores, it is to be...

– **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**

– Currently Rs. 64 crores on a turnover of Rs. 220 crores. There is an actual increase by 30%, correct.

– **MANAGEMENT – GUJARAT BOROSIL LIMITED:**

– I will just explain to you, there are two components which you have to look at. One is that the glass which we have imported during the current year that was to the tune of about Rs.17.6 crores. That has also come here as a raw material consumption because that formed part of the material consumed. In the last year it was zero. So Rs. 17.5 crores is purely the imported glass which is added here. Another thing is that last year we have decreased the inventory by Rs. 7.8 crores and this year we have increased the inventory by Rs. 8.5 crores. So to that extent there is a difference in the consumption. If you merge all these figures you will get the right numbers, the consumption is roughly about 23-24% only.

– **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**

– So what at the end of the day 20-25% will be the raw material cost, correct?

– **MANAGEMENT – GUJARAT BOROSIL LIMITED:**

– Yeah, absolutely yeah.

– **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**

– And what about the ABC analysis on the 24%? Any further backward integration is possible or not?

– **MANAGEMENT – GUJARAT BOROSIL LIMITED:**

– The major cost is soda ash actually which is not possible for us to do backward integration.

– **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**

– How many years is the anti-dumping duty on Chinese glass imports applicable?

– **MANAGEMENT – GUJARAT BOROSIL LIMITED:**

- 5 years from 2017. So that means till about July 2022 that tariff will be in force.
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- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- By the time you can take up back all the capital. What is the payback period? Will that be 3-4 years, assumption?
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- That is about 4-4.5 years.
- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- So by that time anti-dumping will be removed, let us see that.
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- Yeah it maybe removed, may not be. We will have to see how the situation is at that time. Everything is very dynamic things keep changing everyday.
- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- But what is the market share for us. We have the 90% market share in India.
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- No in India we have 20% because the total demand in India is very high and the balance demand is serviced by glass which is imported. So that is why with our double capacity also there will be no shortage of demand. Therefore, hopefully we should be able to sell. So, the prices will not be the same, prices maybe subject to some adjustments on the downward side. But we will be able to sell the entire capacity
- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- Overall over the last 10 years having been in the line you must be knowing how much will be likely increases. What have you projected for the project?
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- You see according to us there is a certain cost at which the Chinese are selling their glass after being subsidized, alright, which is about say \$4.30 per square meter, and they had come down to \$3.60 about the end of last calendar year. So from there they have gone back to more or less \$4.20 which is nearly the same as it was before. So at these levels we are alright, we should be profitable after heading into full production for sure.

- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- So at the end of the day at about 2.6-2.8 level upto that level you are comfortable according to you, correct?
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- No, no \$4.30...
- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- Okay now as it is priced.
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- ...along with the anti-dumping duty which is in place on China we should be competitive with China.
- **MR. RANGAN VENKATARAMAN – BRILLIANT SECURITIES LIMITED:**
- Okay. Thank you.
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- Thank you.
- **MODERATOR:**
- Thank you. The next question is from the line of Binoy Jerrywala from Sunidhi Securities. Please go ahead.
- **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**
- What would be the timeline for the refurbishment of the current furnace? When could we be shutting it down and for how much period would it be shut?
- **MANAGEMENT - GUJARAT BOROSIL LIMITED:**
- Okay so to answer your question, assume that we get into production of glass from the new furnace, ...everything is a matter of estimation, we estimate that we will run for 2 months; July and August, and once the new furnace has stabilized sometime in September we should be able to start the cooling down process of the first furnace. And that should take anything from 3.5-4 months for completely cooling down, demolishing, re-building to a completely brand-new furnace. Then heating it up and starting production; 3.5-4 months. So that could be by the end of December we should be in production on the second furnace as well. So, we will have one quarter this year with full

production and three quarters will be with little bit less, less meaning it will be more than one furnace but less than two furnaces.

– **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**

– Understood, and the money that is to be received from Borosil as a part of the demerger have they been received and what would be the cash and equivalent balance as on 31st of March?

– **MANAGEMENT - GUJARAT BOROSIL LIMITED:**

– We have an inter corporate deposit from Borosil which is already in place and consequent of our merger this deposit will no longer be repayable, we will become the same company. So there will be no deposit. It will be a part of the equity of Borosil.

Regarding the investment of balance amount in hand it is about Rs. 40 crores.

– **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**

– Okay, sir another question is on the technology. So one is solar power generation can be through PV rod, Solar PV technology and the other is solar thermal technology right. So just wanted to understand whether these modules the glass and everything that we manufacture is also...can also be used when using through the solar thermal technology or the plant and machinery everything is very different in case of solar thermal?

– **MANAGEMENT - GUJARAT BOROSIL LIMITED:**

– So the word solar thermal encompasses two different things. There is one product called the flat plate collector. The flat plate collector is actually a product that is designed to heat water to obviate the need for electric heating of water or gas heating of water. So as far as our glass is concerned it is very good for the flat plate collector for solar thermal usage for heating water at home or even industrially. Now the second one that you are talking about which is power generation by solar thermal that is actually a different product, and it is called concentrated solar power (CSP) and there the active ingredient is a glass tube, borosilicate glass inside which there is molten salt oil which goes to a very high temperature and which is used to generate steam which operates like conventional turbine to drive a conventional power plant. So, what we are doing cannot be used for CSP in any way but it can be used for the flat plate collectors for solar water heating which is also a well-established large business around the world.

– **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**

– Understood, and the government's program is specifically for generating solar power through the PV route, is it?

– **MANAGEMENT - GUJARAT BOROSIL LIMITED:**

– That is right. The PV route has been the favored route for generating solar power and yeah, the government has announced a scheme called the CPSU scheme – Central Public Sector Undertaking Scheme in which they plan to set up about 10 GW of power under that scheme so of which I think right now they are talking about setting up 2GW. So, this mandates that modules and **Cells** in India. The first tender should be issued in some time, we are still waiting for it, the government is getting its act together and when this happens then we expect that there would be a better demand for solar glass from India.

– **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**

– Understood, so essentially are you saying that the CPSU scheme is the technology can be used for solar power generation is open, it is not restricted only to solar PV, is that what you are saying?

– **MANAGEMENT - GUJARAT BOROSIL LIMITED:**

– No I am saying solar power generation is possible with solar thermal provided you use what is called a CSP, that is Concentrated Solar Power using an evacuated tube made from borosilicate glass which is completely different as compared to what we are doing. So to generate power you need to have a photo-voltaic panel of some kind. Otherwise you do not generate power with our type of glass.

– **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**

– No, I am specifically asking through the CPSU scheme, does it restrict power generation only through the PV route was my question.

– **MANAGEMENT - GUJARAT BOROSIL LIMITED:**

– Yes, yes it does. With this type of glass you are restricted to generating electric power only through the photo voltaic route, quite right.

– **MR. BINOY JERRYWALA – SUNIDHI SECURITIES:**

– Thank you so much.

– **MODERATOR:**

– Thank you very much. A reminder to all the participants, anyone who wishes to ask a question may press '*' and '1'. Ladies and gentlemen you may press '*' and '1' to ask a question.

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– As there are no further questions I will now hand the conference over to the management for closing comments.

– **MANAGEMENT - GUJARAT BOROSIL LIMITED:**

– Thank you very much. There were very interesting questions that were asked that shows that there is pretty good interest in this field of solar power generation. It has been a pleasure chatting with everybody. Thank you very much.

– **MODERATOR:**

– Thank you. On behalf of Prabhudas Lilladhar Private Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.

– **END OF TRANSCRIPT**