November 17, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **Scrip code: 502219**	**National Stock Exchange of India Ltd.** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Symbol: BORORENEW**

Dear Sirs,

Subject: Transcript of Institutional Investors and Analysts Conference Call

Please find enclosed transcript of conference call with Institutional Investors and Analysts held on Tuesday, November 12, 2024.

You are requested to take the same on records.

Yours faithfully,

For Borosil Renewables Limited

RAVI MOTILAL VAISHNAV
Digitally signed by RAVI MOTILAL VAISHNAV
Date: 2024.11.17 17:46:42 +05'30'

Ravi Vaishnav
Company Secretary and Compliance Officer
(Membership no. ACS – 34607)

Encl.: As above.

"Borosil Renewables Limited

Q2 FY '25 Earnings Conference Call"

November 12, 2024

MANAGEMENT:	**MR. P. K. KHERUKA – EXECUTIVE CHAIRMAN – BOROSIL RENEWABLES LIMITED (BRL)** **MR. ASHOK JAIN – WHOLE-TIME DIRECTOR** **MR. SUNIL ROONGTA – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER** **MR. BALESH TALAPADY – VICE PRESIDENT-INVESTOR RELATIONS**
MODERATOR:	**MR. ROHAN GHEEWALA – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '25 Earnings Conference Call of Borosil Renewables Limited, hosted by Axis Capital Limited. As a reminder, all the participants' line 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 star, then zero on the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohan Gheewala from Axis Capital Limited. Thank you, and over to you.

Rohan Gheewala: Good evening, everyone. On behalf of Axis Capital, I'm pleased to welcome you all for the Q2 FY '25 Earnings Conference Call of Borosil Renewables Limited. We have with us the management represented by Mr. P. K. Kheruka, Executive Chairman; Mr. Ashok Jain, Whole-Time Director; Mr. Sunil Roongta, Whole-Time Director and Chief Financial Officer; and Mr. Balesh Talapady, VP, Investor Relations. We thank the management for giving us the opportunity to host the call.

We will begin with the opening remarks from the management, followed by an interactive Q&A session. Thank you, and over to you, sir.

Ashok Jain: Good afternoon, and welcome to the Borosil Renewables Q2 FY '25 Investor Call. Mr. Kheruka has not been able to join on the call because of his personal reasons. I'm Ashok Jain, Whole-Time Director. The Board of Borosil Renewables yesterday approved the company's financial results for the Q2 FY '25. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website.

We will discuss the operations of the company on a stand-alone basis as well as on a consolidated basis. Overall, the company's performance has shown improvement compared to the immediately preceding quarter. The total sales during Q2 FY '25 grew to INR264.94 crores from INR241.40 crores in the preceding quarter.

The improvement in EBITDA performance was greater with EBITDA at INR52.88 crores, representing 20%, up from 12.3% in the previous quarter. This improvement was driven by an increase in production efficiency and the rise in ocean freight for imports, which allowed us to charge higher selling prices. Export sales, including those to SEZ customers amounting to INR34.39 crores in Q2 FY '25 accounted for 13% of the turnover compared to INR22.42 crores in the preceding quarter, when exports made up 9.3% of the turnover.

The company achieved a profit after tax of INR12.62 crores in Q2 FY '25 compared to a post-tax loss of INR3.64 crores in the preceding quarter. The exemption from basic custom duty on import of solar tempered glass has finally ended on 30th September 2024, with a levy of BCD of 10%. Unfortunately, in an anticipation of this duty, the Chinese exporters slashed the FOB prices by 22% in August '24 and the domestic module manufacturers stockpiled large quantity of cheaper solar glass from China before the BCD implementation.

Imports in September surged to 5x of the volume imported during the previous year ended on 31st March '24. This is causing a huge challenge in procurement of orders from September onwards due to excess inventory at the customer's end. The effect of this price reduction will be visible in the current running quarter.

The Ministry of Commerce and Industry had initiated an antidumping investigation into alleviate dumping of solar glass from China and Vietnam based on the application made by the company. I am happy to inform that the Director General of Trade Remedies, DGTR, in its preliminary findings has recommended imposition of provisional antidumping duty pending completion of the investigation via its notification dated November 5, 2024. The letter is now with the Ministry of Finance.

In the matter of countervailing duty on imports from Vietnam, in the application made by the company, we are still awaiting issuance of preliminary findings by the DGTR. We have also petitioned the government to mandate use of domestically manufactured solar ancillaries in modules. We believe this step is crucial for fostering long-term growth and to develop a robust and competitive local supply chain for solar photovoltaic.

Our company is seeing a faster pace of solar installation on the back of a substantially higher demand. Manufacturing capacity for solar modules has already reached 75 gigawatts, which is expected to double to 150 gigawatts in 2-3 years. Use of locally produced modules has risen sharply after the implementation of ALMM mechanism from April 2024, which is leading to increased demand for all the components, including solar glass.

Our German operations continue to face significant challenges due to reduced demand. The steps taken by the European Union to support domestic manufacturing of modules have been adopted by France, Italy and Austria. It will take time for the demand from these countries to make a meaningful difference to the overall demand. Germany in the meanwhile has kept this matter under consideration. We have been able to operate the plant at a high rate of utilization by securing orders from markets like USA. and EU, which are at low prices. However, the orders are insufficient and it will take some time to generate additional orders since the customers in USA are still ramping up and demand in adjacent market is still low.

Now I come to consolidated results for the quarter, which includes the operations of the subsidiaries. The overseas subsidiaries, including the step-down subsidiaries, have generated net stand-alone revenue of INR107.48 crores and negative EBITDA of INR16.85 crores for Q2 FY '25. The performance has declined over the preceding quarter, which had a net revenue of INR129.40 crores and negative EBITDA of INR2.38 crores.

This was due to a large share of orders being booked at lower prices. The consolidated net revenue for the quarter under review stands at INR372.42 crores and EBITDA of INR34.57 crores as compared to net revenue of INR370.79 crores and EBITDA of INR25.91 crores in the preceding quarter. This improvement visible here has arisen from the better results of the Indian operations.

Meanwhile, determined efforts continue to further optimize the cost of production. The magnitude of drop in selling prices by the Chinese makes it appear that imposition of antidumping duty on dump imports is most obvious way for the domestic solar glass production to come back to a reasonable level of profitability.

Finally, I would like to update you on the proposed rights issue. The company has received in principle approvals for rights issue from BSE and NSE and also the final observation from SEBI. Updated draft letter of offer will be filed. Detailed terms of rights issue, including but not limited to the issue price, rights entitlement issue, record date and timing will be determined by the Board or its duty rights committee in accordance with applicable laws.

With that, I open the floor for questions, which you may have. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sunny from IAF. Please go ahead.

Sunny: Am I audible? Ma'am I will rejoin the queue. Thank you.

Moderator: The next question is from the line of Omkar from Tradebrainz. Please go ahead.

Omkar: My first question is, I observed that our German unit expenses are more than India business in terms of employee costs and raw materials. I want to know why don't you do outsourcing manufacturing in third parties in Germany?

Ashok Jain: So you are saying that our cost of raw material is higher in Germany, is it?

Omkar: Yes, sir. And your employee costs and raw material costs in Germany is higher than Indian business. So why don't you do outsourcing and manufacturing by third parties?

Ashok Jain: Okay. So you are suggesting that instead of manufacturing ourselves, -- done from somebody else?

Omkar: Yes, sir.

Ashok Jain: In Germany or other parts of the world?

Omkar: Only in Germany, sir.

Ashok Jain: Well, the cost of manpower, fuel and power and everything is higher in Germany, as you would appreciate it because it's a developed economy and the costs are higher there. And while the cost of production in Germany is higher, when we took over the company and did our diligence, that time, the revenue was also correspondingly higher.

So after offsetting the higher cost also, there was a decent EBITDA being made by the company. And the challenge now is that the demand for solar glass itself has gone down because there is no protection for module manufactures in Germany or for say, European Union, neither the BCD nor antidumping duty is there on the modules.

So the modules are coming at a very cheap price in European Union, which has forced the customers to go out of business and which is why the demand has gone down. So if you are running the plant at full capacity the cost can still be recovered. But in the current scenario, where the local demand is only about 40% of the production and it is becoming difficult to manage.

So we are reviewing all our options. We are trying to first get the orders from other geographies so that we can still run at higher capacity, bring down the per unit cost of production and manage to bring both ends together in terms of revenue and cost, failing which we will have to look at more alternatives.

Omkar: Okay. Sir, a follow-up question is, as you have a 65% market share in Germany, based on the dumping duty in Germany, do you think about declining market share in future?

Moderator: Sir, your voice is not audible properly.

Ashok Jain: There is some problem.

Omkar: Yes, sir. A follow-up question from the previous one. As you have 65% market share in Germany, due to the dumping duty in German market, are you seeing any decline in market share of our business?

Ashok Jain: No, there is no decline in the market share. The market itself has declined. This is the problem. Because if the demand is there, we will, of course, be able to get the customer back in our fold -- being a local producer, which offers a lot of advantage in terms of just-in-time delivery and robust supply chain. The challenge is that the demand itself has dropped to, say, less than 50% of what it was which is where we're restricted.

Omkar: Okay, sir. Understood. Sir, as you mentioned, the Chinese are dumping goods at lower price in India. While in the same way, Chinese do dumping for electronic goods in India also, sir. But those electronic companies made a strong rebound based on their backward integration and joint ventures in the last couple of years. So same strategy, why can't be used in Indian market? What electronic manufacturers are using in India as of now?

Ashok Jain: So the two businesses are different. If you really appreciate the kind of business you are talking about, it's more of an assembly business, which may be true in solar for like, say, module manufacturing, where you buy various components from various vendors and assemble it into a product and you sell it.

So there, you can backward integrate in the manufacture of those components and possibly bring down the cost of production. But in the case of solar glass, it is not the same story. You have to basically start from silica sand and convert that into finished goods by a lot of value addition in terms of the energy cost, the manpower cost and interest and depreciation and all the things.

So backward integration in solar glass is not feasible. The products which we use are like, say, natural gas or power or soda ash or sand where the backward integration is not feasible in case of solar glass.

Omkar: Okay, sir. Understood. And my last question is, sir, your revenue has grown by 135% in last 3 years. And while production capacity has increased by 3x, is that capacity utilization in line with the sales as per industry standards?

Ashok Jain: So the capacity has gone up from 450 tons to 1,350 tons per day, including the German plant. But the full utilization of German plant is not happening, as you know, because of the orders -- or the paucity of orders, the capacity is not fully utilized. Second thing is that the selling prices -- when we were running only 450 tons or say, less production, I mean '2022, '23 or '21, '22, the selling prices were quite high, almost 25% higher than what they are today.

So a drop in selling prices in the current context would also mean that you are looking at a lower growth in the sales numbers. So our utilization is not low in terms of Indian plant, but the selling prices are low. In the case of German plant, again, the selling prices are also low and utilization has also not increased. So this has to be read and understood in the context of selling prices as well.

Moderator: The next question is from the line of Sunny from AFC.

Sunny: Sir, Am I audible this time?

Ashok Jain: You can carry on, you still have disturbance, but we'll try to understand the question and answer it.

Sunny: Sir, I have two questions. Primarily, you are raising INR450 crores and you have a total debt of around INR557 crores, which includes INR366 crores of long-term debt and INR187 crores of short-term debt. So you're planning to pay off fully long-term debt only, sir?

Ashok Jain: [inaudible 0:17:14].

Sunny: Okay. No problem, sir. And second question regarding -- let's assume that from today onwards antidumping duty is hold. So how much time it will take to do the capex, which is on hold? And is it brownfield or greenfield capex?

Ashok Jain: The antidumping duty notification is yet to be issued by the Ministry of Finance, as I mentioned. So it's a custom notification where you are charging the duty, it is issued by the Ministry of Finance, which normally takes 4 weeks to 8 weeks' time. So once that is done -- suppose the notification gets issued at the end of December or middle of December, we will review the situation in the fourth quarter of this financial year, January to March.

And once the Board decides that this is the right time to go for expansion and we tie up funds or say, we decide on the funding mechanism, then we will be able to move ahead in the matter. From the time we decide that we want to go into the capex, it will take at least 18 months to start production.

In terms of the Greenfield or brownfield, we have a lot of facility available in the current infrastructure. The land is available, even so many items of utility are available and many other benefits which we have at the current location, you may still consider it as a brownfield project. And that will enable us to do it in, say, 18 months as against the time required of 24 months for a Greenfield project.

Sunny: Thank you, sir. That's it from my side.

Moderator: The next question is from the line of Sunny from IAS. Please go ahead.

Sunny: Sir, the latest notification which we get from DGTR, which includes antidumping from China and Vietnam also. Although last time, China was able to dump 60% of their solar glass using Malaysia. So what is the plan to mitigate that?

Ashok Jain: Your question is that if there is antidumping from China end even Malaysia can start exporting. That's what your question is?

Sunny: Yes, sir. China can use Malaysia for dumping.

Ashok Jain: No ADD is applicable on Malaysia and there is all the possibility that some goods from Malaysia may start coming in. As of now, for the last, say, 1.5 years, there have not been any exports into India from Malaysia because the base was shifted by the Malaysian company to China. I mean, they are a Chinese subsidiary -- the Malaysian plant is a subsidiary of Chinese company.

So they stopped their exports from Malaysia, and they started from China. Now they can reverse the strategy. That possibility definitely exists. But that Malaysian plant may not be able to supply to all the customers in India and all the markets. So there may be certain customers and certain volumes, which may start to come from Malaysia.

But we'll have to see how to play around and how to ensure that we get the right realisation using some strategy against Malaysian imports. And include -- come too much, then we will have to think of some measures against Malaysia.

Sunny: Thank you, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Dhiraj from Avendus Spark. Please go ahead.

Dhiraj: My question was that could you throw some light on the -- what were the realizations in the last quarter, like the average glass selling price, what was in the last quarter?

Ashok Jain: So the average realization, as I mentioned, was higher compared to the preceding quarter, which helped us to register a higher EBITDA. While the exact numbers, we are not continuing to talk about in the call because now we have a lot of local manufacturers also, and it may become difficult for us to deal with a lot of customers disclosing the prices. But what I can tell you is that the prices were better by almost 5% in terms of the number compared to the preceding quarter.

Dhiraj: Okay. This was it. Thanks.

Moderator: Thank you. The next question is from the line of from Akshay from Alpha Invesco. Please go ahead.

Akshay: Congratulations on great set of numbers. I just wanted to get one answer. So can you provide some update on the 1,100 tons additional capacity that you were talking about? You said it's on hold? Can we expect this capacity to come up next year or what would be the capex outlay for that capacity?

Ashok Jain: See the capacity which is put on hold is what the Board had decided sometime back was 1,100 tons per day. And that was by way of one single plant. But depending on the situation, we will be, at the Board level, reviewing whether a single plant of 1,100 tons would be a right strategy or it can still be done in 2 parts of 550 tons each depending on the comfort on the funding and the risks around the business.

So we will be evaluating this, as I mentioned, in the quarter, January to March. And thereafter, we will take the call about the expansion. Once having taken a decision to expand, it may take 18 months, as I mentioned, to come into production.

Akshay: Okay. What would be the approximate capex, maybe, say, for 1,100 the entire plant is for?

Ashok Jain: For the 550 tons, we think it may be about INR750 crores or so.

Akshay: Okay. So roughly INR1,500 crores for the entire 1,100 tons per day.

Ashok Jain: More or less, yes.

Akshay: Thank you, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Just wanted to understand what are the key provisions or the contours of the recommended levy of provisional antidumping duty on imports of solar glass if you can share at this stage? And how significant -- you mentioned that it will be a substantial relief for the domestic solar glass industry. But if you could sort of help us quantify given the varying forces that are impacting this particular market?

Ashok Jain: So during the investigation -- or during the period of investigation, there were certain selling prices or import prices which were prevailing and they were analyzed and injury margin and other calculations were done by the DGTR in line with the norms. Now what happens is that this market is so much fluctuating. The prices from China, the freight, everything is so much fluctuating, that in case we have a fixed rate of duty, like say, $50 per ton or $100 per ton and if the prices themselves change by $100, then the duty has a lesser impact or it becomes nullified. So what the DGTR around this time has done based on, of course, the representation by the company and the other fellow members of the producers in India, that they have made the duty in the form of a reference price.

So the reference price is the price below which -- in case the imports are happening below that price, the difference between the reference price and the import price have to be paid as duty. So in the case of China, the reference price is announced or determined at $673. Now in case the imports come at $600, suppose, the $73, the difference will be paid as antidumping duty by the importers.

In the case of Vietnam, the price has been fixed at $565 per ton. So similarly, if the imports are coming at lower price, then the duty will be the difference. But if the imports are coming, this import means the landed price, including basic custom duty at our Indian ports. Support the imports are coming at a higher price, there will not be any duty.

So on one side, there is a protection from the downside to the solar glass manufacturers because if the prices fall and duty is a fixed duty, they still do not get covered. On the other hand, if the prices increase, the duty is not levied because there is no need for the duty in that sense. So this is a very good mechanism found by the DGTR authorities.

And this is the way it is structured that it's sort of a minimum import price -- reference price, which will be applied to, say, imports from China and Vietnam. And accordingly, the duty will be charged. Have I explained it clearly, Sumit.

Sumit Kishore: Yes, yes, sir. So sir, what time frame do you expect this matter to be cleared by Ministry of Finance now? And if you could also elaborate on this 32% price cut between June and September by exporters from China, Vietnam. So how does this compare with your average realization in the September quarter? So how much below has this price cut led the market at? And -- so you mentioned that this is unsustainable, but what is the volume impact expected in the coming quarter? If you could maybe give some guidance around it.

Ashok Jain: Yes. So the first thing about the price cut is that the Chinese and Vietnamese exporters are probably having a shortfall in demand because the local manufacturing of module has gone down because China is facing some challenge in exports as well as in domestic market because of overcapacity.

So the prices have been cut down on the module, as you know, the prices from almost $0.30 have come down to $0.14 for the module per watt peak. So with the steep decline in the price, there is lot of, say, shortfall in capacity utilization, which is leading to surplus in the case of components due to which there has been certain nervousness in the minds of the solar glass manufacturers.

And correspondingly, they have cut down the prices first by about 10% in, say, quarter 1, April to June and another 20% in the next quarter. So almost 30% price has been cut by the Chinese manufacturers in this financial year. Now corresponding to that, we have not witnessed such a decline in our domestic realization because we have been able to contain the decline and also we have been able to maintain good relationship with the customers by explaining to them the situation.

So our decline has been there, but not to the same level. In the case of volumes, if I were to give you some examples, in 2023, '24, the average imports per day were about 2,000 to 2,100 tons per day. In July and August, it became 4,000 tons per day. And in September, it was 9,000 tons per day.

So the imports actually have become very significantly high in September because of the impact of duty coming in or rather say, looking at the duty imposition of 10%, the importers have imported large volumes. Also, they have tried to take advantage of the fall in prices of glass. So there has been a lot of imports which has caused problems of carrying high inventories.

And since glass is a high-volume product requiring lot of space, it creates problem in continuous ordering and keeping it in the warehouse. So this is creating some strength in the business as of now. But I think we are hopeful that in 2 months time, this -- probably the high level of inventory should get adjusted. And from December, maybe this starts getting neutralized.

Sumit Kishore: So by December, you would expect that the Ministry of Finance would provide the required...

Ashok Jain: So by December, they will consume the excess inventory, which means that from January, you can probably expect...

Sumit Kishore: The volumes to come back, okay?

Ashok Jain: The volumes to come back, yes.

Sumit Kishore: Okay. But is there any indication on by when the Ministry of Finance provides the required support…

Ashok Jain: Just to give you a perspective, the Ministry of Finance is supposed to have 90 days window to clear the proposals, which is actually in the case of final finding. But there is no guidelines or there is no trend about provisional duty, we can assume that they may apply similar yardstick of 60 to 90 days or 90 days maximum. So we are trying to pursue with them and try to see that it can be done faster than this period. And we hope that we will succeed and get it earlier than this target period.

Sumit Kishore: Thank you for answering my question.

Moderator: Thank you. As there are no further questions from the participants. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Ashok Jain: Well, thank you very much all the participants for attending this conference call of Borosil Renewables. I hope I have been able to answer all your questions. In case there is any clarification required, they can reach out to our Investor Relations team, and we will be happy to clarify.

We hope with the introduction of antidumping duty, probably in the fourth quarter onwards, we may start to look up in terms of the performance because on the volume front or operational front, we are doing our bit. But this is a very significant element in terms of antidumping duty, which should bring a lot of positivity in the entire thing and also, say, motivate us to expand the capacity and grow the business.

So I hope to meet you in the next quarter investor call with more news about all these aspects. And thank you, and thank you for all your questions and goodbye.

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