

August 17, 2024

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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, August 13, 2024.

You are requested to take the same on records.

Yours faithfully,

For Borosil Renewables Limited

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**“Borosil Renewables Limited Q1 FY 2025 Post-Results
Earnings Conference Call”
August 13, 2024**



**MANAGEMENT: MR. PRADEEP K. KHERUKA – EXECUTIVE CHAIRMAN,
BOROSIL RENEWABLES LIMITED
MR. ASHOK JAIN – WHOLE-TIME DIRECTOR
MR. SUNIL ROONGTA – WHOLE-TIME DIRECTOR AND CFO
MR. BALESH TALAPADY – VICE PRESIDENT (INVESTOR
RELATIONS)**

MODERATOR: MR. ROHAN GHEEWALA – AXIS CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Borosil Renewables Limited Q1 FY '25 Earnings Conference Call, hosted by Axis Capital Limited.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during this conference, 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. Rohan Gheewala from Axis Capital Limited. Thank you and over to you, sir.

Rohan Gheewala: Thank you, Dovin. Good afternoon, everyone. On behalf of Axis Capital, I am pleased to welcome you all for the Q1 FY '25 Earnings Conference Call of Borosil Renewables Limited.

We have with us the Management Team 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.

Pradeep Kheruka: Thank you. This is Pradeep Kheruka. Good afternoon and welcome to the Borosil Renewables 1st Quarter of Financial Year '25 Investor Calls.

The Board of Borosil Renewables on 12th August approved the Company's financial results for the 1st Quarter of the current Financial Year. 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 Borosil Renewables on a standalone basis as well as on a consolidated basis. I will also provide you with some highlights of the operations in our overseas subsidiaries.

Overall, the Company's performance shows distinct improvement as compared to the previous quarter. Of course, the operating results of the same quarter last year were much better considering the much higher selling prices prevailing there. The net revenue during the quarter under review was higher by 6% compared to the preceding quarter, led by a quantitative increase by 2% and a higher selling price. Average ex-factory selling prices during the quarter rose to Rs. 105.5 per millimeter per square meter as compared to Rs. 99.6 in the preceding quarter, which is an increase of 6%. A sharp increase in ocean freight had been the reason for the increase in import landed prices, which allowed us in turn to have a more remunerative selling price.

During the 1st Quarter of the current year, the sales volumes of the Company rose by 23% quantitatively, over the corresponding quarter in the previous year. However, the significantly

lower selling prices meant that the rise in net revenue from operations was just 2%. Average ex-factory selling prices during the quarter, despite showing a recovery, were lower by 17.9% as compared to Rs. 128 during the corresponding quarter. Export sales during the 1st Quarter of the current year, including to customers in SEZ, stood at Rs. 22.42 crores comprising 9.3% of the turnover as against Rs. 13.55 crores in the preceding quarter when it comprised 6% of the turnover. Exports stood at Rs. 72.13 crores in the corresponding quarter last year. There's a demand slowdown in export markets around Europe for the past two, three quarters, although the exports were higher compared to the previous quarter.

During the quarter under review, the Company earned an EBITDA of Rs. 29.71 crores, corresponding to an improved margin of 12.3% as compared to the margin of 5.8% in the preceding quarter. This flow from better selling prices has also higher production efficiency. The margin during the corresponding quarter last year had been 28-point percent due to the higher selling prices than prevailing. The Company's post-tax loss declined to Rs. 3.64 crores for the quarter under review against the post-tax loss of Rs. 13.37 crores in the preceding quarter, which is attributable to an improvement in selling prices and production efficiencies.

I am happy to share that the long-drawn saga to end the ill-conceived exemption from payment of basic customs duty on imports of solar tempered glass has finally yielded a positive outcome. The exemption ends on 30th September 2024, and a duty at a reduced rate of 10% will come into effect, although the duty in tariff was 15%.

The investigation by DGTR into our applications for imposition of an anti-dumping duty on imports from China and Vietnam, and a countervailing duty against imports from Vietnam is making progress. We expect a decision and issuance of preliminary findings in the next few months. Meanwhile, Chinese exporters have dropped their prices even further in their continued relentless dumping. For the domestic solar glass producers, getting ADD, CVD remains extremely important to assure industrial expansion.

Government tenders for certain requirements mandate use of only domestically made solar cells and the modules. We are now petitioning the government to additionally mandate the use of other domestically made ancillaries, including solar glass in such tenders. This will help create a robust local supply chain and increase the use of domestically produced ancillaries.

The pace of solar installations in the country is making rapid progress and there is a sizable demand visibility. Manufacturing capacity for solar modules has already touched 65 gigawatts, which is expected to cross 100 gigawatts in two to three 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.

Coming now to our German operations:

The European solar module manufacturing industry continues to suffer from unrestrained import of Chinese solar modules at dumped prices. This has led to shutdown of production by many of

the large players in Germany. The European Union has cleared legislation by member countries to incentivize the use of European-made solar modules by allowing tax subsidies and other measures. Countries like France, Italy and Austria have already taken steps to incentivize local production, but Germany, which is the largest producer, is yet to make an announcement. The Company continues to run full production by locating demand from alternate markets, although at lower selling prices. Cost optimization efforts are continuing at the plant besides enhancing production efficiencies.

Now, I come to the consolidated Results for the Quarter, which include the operations of the subsidiaries abroad:

The overseas subsidiaries, including the step-down subsidiary have generated net standalone revenue of Rs. 129.4 crores, and negative EBITDA of Rs. 3.8 crores for the 1st Quarter of the current year. The performance shows a marked improvement over the preceding quarter, which had a net revenue of only Rs. 55.88 crores and a negative EBITDA of Rs. 33.95 crores. The overseas subsidiary was reeling under reduced demand, which led to reduced production and consequential losses from the demand slowdown down in Europe. The subsidiaries are making efforts to improve operations by making inroads into overseas markets, besides enhancing customer outreach in Europe.

The consolidated net revenue for the quarter under review stands at Rs. 370.79 crores, and a positive EBITDA of Rs. 25.91 crores as compared to net revenue of Rs. 283.11 crores and negative EBITDA of 20.82% in the previous quarter. This shows a significant improvement. The positive trends and developments we are experiencing in this quarter on both prices and production efficiencies are encouraging, and we feel that the upcoming quarters hold the potential for further improvement in the performance.

Looking at, A, expectations of better selling prices enabled by higher landed cost of solar glass in the domestic market post imposition of basic customs duty from 1st October, 2024; and B, the strong and expanded demand in domestic markets arising from the spurt in domestic manufacturing, our positive outlook in the sector has further improved.

We are actively engaged in cutting our cost per unit. To further optimize our cost of power, we have finalized an additional 16.5 megawatts solar/wind hybrid power plant which is expected commissioning during second quarter of Financial Year '26.

Finally, I would like to update you on the proposed rights issue. The Company had on 10th June, 2024, filed a draft Letter of Offer to SEBI to raise funds up to Rs. 450 crores by rights issue of equity shares. The proceeds are proposed to utilize mainly to reduce the debt for the Indian operations, as well as at the overseas operating subsidiary. The Company has received in principle approvals for rights issue from the BSE Limited and NSE of India. Post receipt of other applicable approvals, detailed terms of the rights issue, including but not limited to the issue price rights entitlement ratio, record date, timing and terms of payment will be determined by the Board, or its duly authorized committee in accordance with the applicable laws.

With that, I now would like to open the floor to questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. You have the first question from the line of Sumit Kishore from Axis Capital Limited. Please go ahead.

Sumit Kishore: My first question is that after the announcement in the budget, where do you see EBITDA margins for Borosil Renewables settling in coming quarters, especially given your commentary that the Chinese are also undercutting prices and that has a downward impact even as we speak?

Ashok Jain: Yes. So, it's a moving number as of now because the prices have been changing and the freight rates also have been changing. But the impact of basic customs duty would mean that 11% will get added to the landed cost of imports, which will allow us to raise our prices of the corresponding order. So, we can estimate, based on the current earnings, that the EBITDA margins may settle between 20% to 25% post the imposition of basic customs duty, provided there are no any significant changes in the Chinese prices or in the freight.

Sumit Kishore: Sure. You said 11% or will it be 10% increase?

Ashok Jain: 10% is the basic duty and there is a surcharge of 10% there on, so effectively it becomes 11%.

Sumit Kishore: And are freight rates, seaborne freight rates cooling off now after peaking sometime in the previous quarter?

Ashok Jain: So, in the last two months, the freight rates have been high, but offlate the freight rates have softened a bit. And whether they will stay at current level or will change further is anybody's guess as of now, because the situation is very dynamic.

Sumit Kishore: And where would you peg India's solar glass manufacturing capacity now? Based on what is under construction right now, by the end of the fiscal where do you see that capacity going and Borosil Renewables share is what we are looking at?

Ashok Jain: So, in India there are four new plants which have started in last one year or so totaling to almost 1,300 tonnes per day. And Borosil Renewables is at 1,000 tonnes per day. So, total capacity has become 2,300 tonnes per day in terms of the domestic production. And very sizeable significant imports are also happening at this point in time, because these capacities put together are not enough to meet the entire demand.

Sumit Kishore: And what capacity is under construction right now, in case you can provide?

Ashok Jain: So, right now there is nothing significant except for maybe Reliance, which may be under construction for their own captive purpose. But generally, for the market offerings, there is no further capacity in pipeline, as we speak.

Sumit Kishore: So, given the shortfall in domestic manufacturing capacity versus the size of the Indian market itself, what are your thoughts in terms of expanding capacity hereon? Or do you think that you will

wait for government intervention and imposition of extra duty protection to make it more attractive?

Pradeep Kheruka: To be honest, the way I am looking at things that we have spent the last year actively following with the government and bringing to the notice that in order to have a complete ecosystem, all the ancillaries need to be studied and they have to be dealt with so that we are able to retain and grow some full manufacturing ecosystem. Going by the speech given by the honorable Finance Minister in the Lok Sabha this year, when she took solar glass by name, I hope it seems that our words have reached her and she's understood. And putting of the 10% duty is a very welcome step towards the fact that this has been recognized. And so, therefore, I see that with continued pushing our agenda in the corridors of power, the fact is that the government is definitely very keen to get out of the umbrella of China. And so, therefore, generally I see that things should be getting better and better as time goes by.

Sumit Kishore: Sure. Just one final question, of India's total solar glass imports, what percentage comes from China and what percentage comes from Vietnam and other locations?

Ashok Jain: You mean for the total Indian market?

Sumit Kishore: Yes.

Ashok Jain: So, imports are basically, at this point in time, coming largely from China, almost to 85% comes from China and only 15% comes from Vietnam.

Moderator: Thank you. We have the next question from the line of Rohan from Envision Capital. Please go ahead.

Rohan: Sir, the first question was on the Company that there was just a newly established entity, Solar Ancillary Manufacturers Association. So, what was that in regard to? Just a little background on that. The second question was, what is India's domestic solar glass consumption against the 2,300 tonnes per day capacity? Thank you.

Pradeep Kheruka: So, for the first question, about Solar Ancillary Manufacturers Association. See, what we realized, people in the solar glass industry, that the focus of the government has so far been on solar cells and modules. But there are many other products which you need in order to complete the production of a solar module. And if you are still going to be dependent on China for other things, then they're just having production of cells may not be sufficient. And so we decided to form an association. There are people who are glass makers, people who make encapsulants, people who make backsheets, junction boxes, aluminum frames, copper conductors, etc., everybody is a member of this association. So, when we go, we go in a comprehensive way because we are working for the entire solar component ecosystem. And that is why we made this association, and it has been successful. And I think the imposition of the 10% duty is a fallout of the fact that we went as an association, and we were able to get it.

- Ashok Jain:** Regarding the share of imports and the domestic producers share, the entire domestic production is getting sold as of now, and most of it is getting sold in India. Some exports are there which may be about 8% to 10% overall, but sizable imports keep coming to India because the requirement is growing very steadily now. With the implementation of ALMM from April '24, the consumption has gone up further in terms of solar glass consumption in the module being made. So, imports maybe about 55% to 60% of the demand as of now, and domestic maybe about 45% or so.
- Rohan:** So, what is the Indian demand totally?
- Ashok Jain:** Well, Indian demand in terms of glass consumption would be about 4,000 tonnes per day, of which about 1,600 tonnes may be coming from Indian production.
- Moderator:** Thank you. We have the next question from the line of Ketan Jain from Avendus. Please go ahead.
- Ketan Jain:** Sir, my first question is, what will be the landed cost of China glass prices, what would be the price before duty and after duty?
- Pradeep Kheruka:** The landed price of solar glass from China?
- Ketan Jain:** Yes.
- Ashok Jain:** Actually the price is changing every day, or every week at least, in terms of the landed cost. But what we do is to sell against their landed price and seek some premium over it, which is maybe about 3% to 5%. So, you can see that what we realized is about Rs. 105, Rs. 106 on ex-factory level. So, you may say import prices may be about Rs. 102.00 or Rs. 100 per mm.
- Ketan Jain:** Sir, what is your view on the trajectory of solar glass prices from China? How long will they be able to dump more?
- Pradeep Kheruka:** The situation in China today is a little tight, tight from the standpoint that their panels which were being sold everywhere, especially in markets like the United States and India, have suffered a very sharp decline. And so, therefore, all the components that go into solar glass production, including glass, are also facing a great resistance, or there might be not enough market in China. And therefore, they are selling to other countries under certain compulsion. Now, maybe that is the reason or what, but the prices at which they are selling there is no possibility that they can make any money from that. In fact, they would be losing money unless they are being subsidized, which is our fear. So, it's very difficult for us to hazard a guess on China and the selling prices, other than to say that whatever they are doing is completely unviable.
- Ketan Jain:** Sir, also you said that EBITDA margin is going to set at around 20%, 25% post custom duties. So, what realization I can assume for this, it will be around Rs. 130?
- Ashok Jain:** See, Rs. 105 is what we have realized in the current quarter on ex-factory basis, and we earned a margin of 12%. So, if you were to add another 10%, then that will give you the number. Because whatever extra price comes, it gets added to the margin.

- Ketan Jain:** So, around Rs. 125?
- Ashok Jain:** If you were to do your math correctly, if Rs. 105 is the price, and if you have to increase by 10%, it would not be Rs. 125, isn't it?
- Moderator:** Thank you. The next question is from the line of Rohan from Envision Capital. Please go ahead.
- Rohan:** Sir, the question was, if a vendor is purchasing solar glass from us for use in domestic modules wherein the modules are also sold at a higher price. So, is there a price difference between that price and the price at which the imported glass is sold in India? So, how different is that?
- Ashok Jain:** Yes, I just said sometime back that whatever the import landed cost is there, basis that we the price our material at about 3% to 5% higher, that is the premium you can pay.
- Moderator:** Thank you. The next question comes from the line of Santosh, an Individual Investor. Please go ahead.
- Santosh:** This is with regards to German unit, sir, where revenues were Rs. 129 crores and employees also were around Rs. 38 crores, that is around 30%. So, how can we reduce this employee benefit expenses in German unit, sir?
- Ashok Jain:** The German cost is higher, as you know the Germany labor cost is higher. But what was happening was that the buyers in Germany were able to pay higher price because they were getting higher price for their modules. Now that situation has changed because they are not able to run their operations at a low price modules coming from China, which is putting pressure on our selling prices, which is why the ratio is looking so high in terms of the employee cost. What we are trying to do is to rationalize on the workforce, try to cut down on the number of people, and also increase productivity. Similarly, we have put in the CAPEX and new equipment there or added more machinery which will give us much higher productivity. So, with all those efforts, we will be able to cut down per unit cost and impact of the labor cost.
- Santosh:** Because when we compare with the Indian employee cost and German cost, there is a lot of mismatch. Because in India we are paying Rs. 19 crores only, in German we are paying Rs. 37 crores for turnover of Rs. 129 crores.
- Ashok Jain:** Your point is absolutely well taken, and this is a situation we have to deal with and we have to increase the productivity and production. And it may not come down to Indian levels, but still we will have to see how best we can curtail the cost and increase our selling price.
- Santosh:** This is same with power also, power expenses in German unit.
- Ashok Jain:** Power is not so much different in terms of the percentage.
- Santosh:** It is coming to around 30% only sir, Rs. 37 crores the power expenses there in German unit.

- Ashok Jain:** Yes. So, that is again because we were running the old equipment and all, and now we have put in new machinery which will give us almost 25% to 30% reduction in the power consumption per unit of production. So, all those efforts are now going to fructify once these machines start operating, which has already actually started producing in this month. So, with that you will see changes in the further quarters.
- Santosh:** So, we can expect same revenue in next quarter also from Germany unit, that is around Rs. 129 crores, or it will be higher or less?
- Ashok Jain:** It will be in the same ballpark.
- Santosh:** So, when we can expect the rights issue, sir?
- Ashok Jain:** The rights issue is subject to the approvals now. We already have the BSE and NSE approvals, and the major approval now is SEBI, which is almost on the cards now, anytime we may get it. So, once we have this then we will start the process of filing the final Letter of Offer. And I think the rights issue should be there in the end of September or beginning of October.
- Santosh:** So, with regards to this anti-dumping duty, are you following with the government with regard to anti-dumping duty?
- Ashok Jain:** Yes, we are an applicant for anti-dumping duty and countervailing duty. And the other manufacturers are supporting our application, other glass manufacturers. And this application is continuously being followed up at the DGTR level. So, hopefully we will have the issuance of preliminary findings, provisional findings in the next month or so.
- Santosh:** Generally how much time it will take sir, one month?
- Ashok Jain:** One, one and a half month it should take for the process to complete in terms of the provisional findings. After that it would take another three, four months to get the final approval. By December we will have some final view from them.
- Moderator:** Thank you. We have the next question from the line of Sunny from IFA. Please go ahead.
- Sunny:** Sir, I have just one question. What is the CAPEX plan for the future, which is presently on hold?
- Ashok Jain:** So, Board had in the past approved for expansion by 1,100 tonnes per day, setting up another furnace to increase the production, which is currently at 1,000 tonnes per day. But this was put on hold because of the change in the economics and the scenario after the removal of anti-dumping duty against China. So, with the positive developments happening on the basic customs duty front, and once there is some clarity on the anti-dumping duty, we expect the Board to reconsider the matter. And once the decision is taken, we will communicate the same to the investors.
- Moderator:** Thank you.

Pradeep Kheruka: If there are no more questions, we can close the call.

Moderator: Sir, we do not have anyone in the queue at the moment, sir. If you would like to proceed with closing comments, you can go ahead, sir.

Ashok Jain: Yes. Thank you so much all the investors for joining on the call and showing your interest in the business of the Company. The management is putting in all the efforts to resume the past glory of the Company, which for some quarters has been lost because of the unremunerative selling prices. We are actively working on the anti-dumping duty which will provide the required fillip to the operations of the Company and visibility of further growth in the business. Thank you so much for asking all the questions and see you again. Thank you.

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