



## Borosil Renewables Limited

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

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October 24, 2021

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Dear Sir/ Madam,

### **Subject: Transcript of Institutional Investors and Analysts Conference Call**

**Scrip Code: 502219**

**Symbol: BORORENEW**

**Series: EQ**

We enclose transcript of conference call with Institutional Investors and Analysts which was held on October 21, 2021.

Audio recording of call is available on <https://borosilrenewables.com/investor.html> -  
**Click Shareholders info – Analyst Meet**

You are requested to take the same on record.

Thanking you.

Yours faithfully,

**For Borosil Renewables Limited  
(Formerly Borosil Glass Works Limited)**

**Kishor Talreja  
Company Secretary and Compliance Officer  
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**Encl: As above**

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“Borosil Renewables Limited  
Q2 FY2022 Results Conference Call”

October 21, 2021



**ANALYST: MR. KEVYN KADAKIA – AXIS CAPITAL LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Borosil Renewables Q2 FY2022 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kevyn Kadakia from Axis Capital Limited. Thank you and over to you Sir!

**Kevyn Kadakia:** Thank you Janice. Good evening ladies and gentlemen. I am Kevyn Kadakia and I am part of the India Industrials Power and Infrastructure Sectors at Axis Capital. On behalf of Axis, I am pleased to welcome you all for the Borosil Renewables Q2 FY2022 Earnings Conference Call. We have with us the management team of Borosil Renewables, which is represented by Mr. P.K. Kheruka – Executive Chairman, Mr. Ashok Jain – Whole-Time Director, Mr. Sunil Roongta - Chief Financial Officer and Mr. Swapnil Walunj – Head of Marketing. We will begin with the opening remarks from Mr. Kheruka followed by interactive Q&A session. Thank you and over to you Sir!

**P.K. Kheruka:** Thank you. Good afternoon and welcome to the Borosil Renewables Q2 FY2022 investor call. It is the pleasure to be interacting with you once again. The Board of Borosil Renewables approved the company’s financial results for the second quarter of the ongoing financial year today that is to say October 21, 2021. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company’s website. During the quarter, the company recorded net sales of Rs.160.5 Crores, an increase of 41% over the corresponding quarter of the previous year. The average ex-factory price of tempered solar glass during the quarter was about Rs.118 per millimeter. As mentioned in the previous call this is a lower price compared to the peak prices prevailing in the fourth quarter of the financial year 2021 and first quarter 2021-2022; however, these prices are still higher than the prices in Q2 FY2021 about 20%. Export sales during the second quarter 2021-2022 including to customers in SEZ were Rs.55.1 Crores comprising 34.3% of the turnover. We see continued good demand for solar glass from all our overseas markets. These markets are looking for another source besides China in order to meet the requirements for solar glass, moreover the power shortage and other issues being faced in China have redirected Chinese supplier towards meeting their own local demand.

EBITDA during the quarter was Rs.58.9 Crores corresponding to an EBITDA margin of 36.7% as compared to a margin of 28.4% in the second quarter of FY2021. The higher EBITDA margin was led primarily by better ex-factory realizations moreover higher productivity gross pull per day was higher by 4% over the corresponding quarter also

contributed to better margins. These higher margins are obtained after absorbing higher costs on account of increases in natural gas prices, packing materials and inflation and export logistics costs owing to the increased global freight rates. Higher EBITDA led to an increase in the profit after tax. The company recorded a profit after tax of Rs.34.1 Crores, a growth of 143% over the same quarter last year. As the benefits of thinner solar glass are getting established, we are receiving interest in our thinner solar glass. During the second quarter of the current financial year sales of thinner glass increased to 28.3% of sales. An observation of the global trend leads us to expect more robust demand for thinner tempered solar glass going forward.

I now give you a snapshot of the solar glass demand as we see today. Additional production capacities are being set up keeping in mind a higher demand due to expected increase in production of solar modules to meet higher installations as well as the rapid shift towards glass-glass bifacial modules. Such modules require thinner glass in order to control the weight of the module meanwhile solar sales become larger requiring larger sizes of glass, which will lead to higher efficiency solar modules. These shifts are being noticed globally. All new capacity additions in module manufacturing have considered these larger glass sizes thus we expect an increase in glass consumption with every module manufacturer. There is a general upward trend in commodity prices. The prices of most of the solar components as well as modules have risen in the recent past. The solar glass selling prices globally started recovering gradually from September end and are currently about 18% to 20% higher than the average prevailing in the quarter presently under review.

During our previous interaction, we have been providing a short commentary on policy and tariffs, which have a bearing on the solar glass sector in India. Imports from Vietnam, which started around April 2021 are still coming in duty free. Such import volumes are so far not significant. The antidumping duty against China is valid till August 2022. The company had applied for a sunset review of the same with a request to continue the duty for another 5 years. The hearing has been held by DGTR and the outcome can be expected in the next few months. CVD against Malaysia was levied in March 2021 and the same will be valid for 5 years.

Borosil Renewables is currently undertaking a Brownfield capacity expansion, a third solar glass line with a capacity of 550 metric tonnes this will enhance the capacity from 450 tonnes per day to 1000 tonnes per day. The implementation of SG3 is expected to take place by June 2022 and commercial production to commence in the second quarter of the year 2022-2023, which is expected to increase our sales volumes by over 120% on a full year basis. The estimated Rs.600 Crores project is being financed through our QIP of Rs.200 Crores completed in December 2020, bank term loans of 200 Crores and internal accruals of

200 Crores. In our view the country needs to add installations of about 25 gigawatts annually to meet the target of 300 gigawatts of solar installations by 2030.

The total annual manufacturing capacity of solar modules in India currently stands at about 14 gigawatts. Significantly high capacity additions of about 18 gigawatts are likely in the next 1 to 2 years, which will take the capacity up to 30 or 32 gigawatts meanwhile a large player has announced plans to set up a facility for 10 gigawatts. The recently concluded tender under PLI scheme received bids for 54.8 gigawatts, which include 19 gigawatts with further backward integration starting from polysilicon vapour. Thus we expect a robust supply chain and ecosystem to be created in India over the next few years. The government of India has announced a position of basic customs duty on imports of solar cells and modules to come into effect from April 1, 2022, which will immensely help growth in domestic manufacturing and create higher demand for solar glass as use of domestically produced components is promoted by way of a higher percentage of incentive. Module manufacturers are already looking to secure the supply chain of solar glass. The rise in the production of solar modules will lead to a substantially higher demand for solar glass thus the domestic markets shall be able to absorb higher capacity of solar glass. The company has been providing an increased focus on exports to all markets including Russia, Middle East, Africa, North and South America in addition to the regular markets in EU and Turkey. The demand for glass in all the major markets is expected to rise exponentially due to increased cost in domestic manufacturing of solar modules in these countries. We have started to receive orders and our service in larger volumes from some of these new large buyers and see high growth prospects for exports.

The Company Board has approved a further expansion of capacity through solar glass lines 4 and 5 in order to further raise the capacity from 1000 tonnes per day to 2100 tonnes per day. Work on the SG4 project is expected to commence during the last quarter of this financial year given the lead times required for capacity expansion. This additional capacity can come on stream in the middle of calendar year 2023. I would now like to open the floor to questions that you may have. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mohan Kumar from MJ Financial. Please go ahead.

**Mohan Kumar:** Sir, congrats on a great set of numbers. I had a question regarding the input cost, we have seen the price of commodities really shoot up can you walk us through what the impact could be over the next 6 months on not only the current production but also on before the expansion plans that you have not focused?

**P.K. Kheruka:** Ashok, will you answer that.

**Ashok Jain:** Yes, the import costs are rising in the case of particularly natural gas, which is RLNG imported and supplied by GAIL to us and also in the case of soda ash and some of the other inputs like sodium antimonate, so these are the basic products, which are linked to our import or foreign currency or for that matter the costs are volatile so these costs in the case of natural gas are changing every month, so the current costs are being booked in every month whenever the costs are rising. As far as the total quantum and total basket of natural gas is concerned, we have different type of contracts where the prices are aligned to different baskets and we try to minimize our risk though the costs are rising in each of the segments there are different contracts whereby we can optimize the cost structure, but nevertheless the prices are going up. In the case of soda ash also the prices have risen significantly, until December we have fixed price contracts, so we have not been impacted so much as of now, but going forward we believe that the prices are going to be higher, they are currently being quoted at about 50% higher, so this would lead to certain cost inflation in the coming year, this could well be about 6% to 8% in terms of the overall selling price both these items put together, but we have to also understand that these are the products, which are being imported and consumed by virtually all the solar glass manufacturers, so the impact of these cost increases will be applicable to all the producers it is not unique to us and in terms of the pricing everybody has to take into account the cost of inputs. On the other hand, as Mr. Kheruka has mentioned the current prices are already higher by 18% to 20% though we cannot basically control the cost of inputs, but selling price is taking care of it.

**Mohan Kumar:** Got it, thank you and just a followup on that, we have been hearing that a lot of the manufacturing capacity in China has been either the government has forced to reduce the manufacturing or stop manufacturing either because of the power related issues or because of the manufacturing standards, have you seen the outputs from China reduced and do we expect this to help boost solar prices further?

**Ashok Jain:** Well as far as the glass production is concerned we have not heard that many of the glass production units are gone out of production, but at the same time when Mr. Kheruka had already said in the remarks the local production requirement has gone up in China because of the power shortage and all, which is why the supplies for all the components like glass or other components are being redirected to their own consumption, so in that sense the availability of materials could be lower in the international market, but prices are generally a factor a complex situation this could be one reason why the prices might have gone up.

**Mohan Kumar:** Got it and my second question is we are seeing a lot of investment in India into manufacturing solar panels do we see that a lot of the players are coming into

manufacturing solar glass too and do we think about going ahead for some kind of backward integration into creating a solar panel or working towards creating just panels or we plan to just stick with our expertise.?

**Ashok Jain:**

So, if I were to answer your first part of the question the solar glass production in India there is a scope to rise the production because the glass demand is going to rise substantially, so there are possibilities of other players setting up the solar glass plant who are trying to do it for their captive consumption in order to secure their supply chain, should there be any other addition of substantial volume are not in the market for the general purposes we do not have any idea, but small plants might come up over a period of time, which could be additionally catering to the domestic demand, as you know we are only at about 35% to 40% of the domestic market so far and even with increased capacity we will not be more than 50% to 55%, so there is enough room for the glass consumption and glass capacities to take place in India, so there may be a increased production of solar glass in the country, but right now the imports are filling the gap, which might reduce over a period. In the case of your second question on the panels backward integration or forward integration by us in the similar evolution we have been evaluating this, but our niches in the solar glass manufacturing and we have to first become a decent size solar glass company where experts have skill benefits first and thereafter we can think of diversifying or looking at any backward or forward integrations, so as of now our hands are tied with the solar glass manufacturing expansion plant.

**Mohan Kumar:**

Thank you and just one followup on that, so you mentioned that a lot of new players are coming in and they are expecting a lot more production of solar panels, do we have long-term agreements in place or has any of the newer manufacturers can approach to set up the longer term contracts for supply solar glass?

**Ashok Jain:**

Well the business is projected on a monthly basis as of now, but we fairly know that everybody or every piece of our customer is buying certain volume from us and since we have limited volume available generally it is fairly known that each companies buy how much quantity, in the sense of new customers there are new capacities which are coming up from the existing players as well as couple of new manufacturers are entering the manufacturing module solar cell and module so each one of them is in touch with us for a long-term tie-up for large volumes, so we will eventually conclude with them for certain volumes which we can supply going forward once we have the extended capacity available from July-September quarter 2022.

**Mohan Kumar:**

Thank you and congrats on great set of numbers and all the best for the future quarters.

- Moderator:** Thank you. The next question is from the line of Prathik Bathija an Individual Investor. Please go ahead.
- Prathik Bathija:** Congrats for good set of numbers. My question is around the patent and technology of antimony-free glass I just wanted to understand this antimony free glass is across every single glass that Borosil Renewables manufactures or is it a value addition product?
- P.K. Kheruka:** We have successfully made antimony-free glass; however, the market currently requires a glass with reduced antimony and this is to be used until there is general consensus around the world that antimony-free glass needs to be used, so at the moment the glass we make does have very highly reduced quantity of antimony.
- Prathik Bathija:** Alright and a followup question was about bifacial glasses, can you share some split across demand in terms of how many of your customers are ordering bifacial glasses versus monofacial glasses?
- Ashok Jain:** So, in terms of the use of the glasses, the glasses are not bifacial the modules are bifacial because the sales are charged from both sides so generally in the conventional modules the solar sales are charged from the front side and the back side is not charged for converting into electricity, in the case of glass-glass modules or bifacial modules there are glasses on both sides of the module and this is done by eliminating the use of back sheet at the rear end of the module so you replace that by a glass, now what happens is that in case of the bifacial modules when the cell is charged from the other side also receives light transmission from the back side also and for which the glass is used, so bifacial modules are becoming increasingly popular across the globe more so particularly in China and other markets where they are already at about 30% to 40% of the overall installations, but in the other markets the growth has been slightly slow, but it is catching up now, we are receiving enquiries from European as well as now Indian customers for the use of double glass module in the bifacial module and as we go for a bifacial glass module the glass thickness is also going to go down. In the conventional modules we are using 3.2 mm or 2.8 mm, but in the bifacial modules generally the trend would be to use 2 mm glass and we see this to be getting a lot of traction in the next couple of years, there are certain studies are available, which gives an indication that over the next 3 to 4 years this might become about 40% of the entire consumption in the entire module manufacturing in the entire globe, so it is going to be very high growth business in that respect.
- Prathik Bathija:** My last question and I am just trying to tie back to the antimony-free glasses, so if there is a different manufacturer who wants to set up antimony-free glasses would they have to pay some royalty to use this patent if there is a technology that is exclusively owned by Borosil Renewables?



- P.K. Kheruka:** That would have to actually wait until the time comes and the manufacturer enter into dialogue with us, what you will take we cannot decide that right now.
- Prathik Bathija:** Thank you, Mr. Kheruka and all the best for the coming quarters.
- Moderator:** Thank you. The next question is from the line of Sridhar an Individual Investor. Please go ahead. Mr. Sridhar, you may please go ahead with your question. As there is no response from the current participant, we take the next question from the line of Kshitij Saraf from Tusk Investment. Please go ahead.
- Kshitij Saraf:** Good evening and congratulations on numbers. I had one very basic question on the change in inventory, so we have a rise in revenue and the inventory has decreased last quarter and this quarter they have increased, so at a high level could you please help us understand how it moves, what is the reason because this impacts the bottomline so is it safe to assume that this inventory would be sold in let us say the coming quarters and there would be the benefit of this?
- Ashok Jain:** Yes, there was a lot of background noise, but whatever I could hear that you are saying that the inventory during this quarter is increased, but it is actually reversed, in the recent quarter the inventory has gone down if you are really looking at the numbers in this quarter we have decreased the inventory by 8.26 Crores, so we are fairly comfortable in selling the entire production and we do not keep much inventory at the warehouse, so there is no occasion, whatever the changes you are seeing are actually a result of Ind-AS accounting, last quarter that is June quarter we had certain sale of about 17 Crores, which we could not account in sales because of the Ind-AS accounting requirements, but this quarter that is reduced also, so we have actually reduced the inventory.
- Kshitij Saraf:** Got it, thank you.
- Moderator:** Thank you. The next question is from the line of Krishna Agarwal an Individual Investor. Please go ahead.
- Krishna Agarwal:** Sir, how domestic module manufacturing industry is doing, BCD will be applicable from April 2022 and currently we are allowed to import without duty, this is affecting volume of domestic module manufacturers how they are doing?
- P.K. Kheruka:** Well actually the thing is that as you probably are aware there are a number of government schemes, which are in place, which mandate the use of domestically manufactured modules, so if somebody gets an order that apply to those schemes and he must obtain the modules domestically so therefore those modules have to be made in India, having said that there are

orders placed by government for brief installations in which modules are still being imported by various players. Having said that at the moment there is many of the large Chinese module makers have put up notices in which they have said that they will evoke force majeure saying that they cannot deploy modules for an indefinite period of time, so as far as we are concerned we are a little bit confused on that subject because there is definitely several cases that we have heard where contracted supplies by Chinese suppliers have been stopped by the Chinese suppliers on grounds of force majeure, so how this is going to pan out something I am not sure, but as a member of the industry I definitely strongly support the call for the imposition of basic customs duty on the imports of cells and modules, for the time being as far as we are concerned our sales of solar glass have not been impacted at all, thank you.

**Krishna Agarwal:** What is the status of capex, is China crisis affecting or they are on track, what is progress of their capex plans?

**P.K. Kheruka:** We have limited information, which is available to everyone in the marketplace, they have installed certain capacities already, which are coming into operation, but they have said in couple of calls that they are going to be monitoring the demand situation and accordingly adjusting their production plants and start up the new capacities, so they are fairly aware of the situation and based on the demand supply situation they will be able to fast track or delay their projects.

**Krishna Agarwal:** Do we have plans to start manufacturing other components like EVA or we will be focused on the glass industry?

**Ashok Jain:** I had answered that question sometime back, right now we are focused on the glass production to become a large player or to a decent player on the glass production first and then we would like to also try our hands on other things in the renewable space, but we keep evaluating the options or the opportunities and whenever the time is opportune to get into anything different we will definitely come back to the shareholders and do it.

**Krishna Agarwal:** **EVA prices have increased in recent past. Can we plan manufacturing EVA along with the solar glass?**

**Ashok Jain:** Your suggestion is very well taken, the production of other components along with glass will definitely be a good situation, but based on any price points or certain price points, we cannot decide on the project because we have to look at what are the other challenges, other competition or other technological other barriers or competencies required for a particular business and is there any sort of value addition by our being there in that business so based on that we will take a call.

**Moderator:** Thank you. The next question is from the line of Jimesh Sanghvi from Principal India. Please go ahead. Looks like no response from the current participant, we will take the next question from the line of Vaibhav Temani an individual investor. Please go ahead.

**Vaibhav Temani:** Yes, I am trying to understand what operational metric you used to measure the efficiency of glass manufacturing process and have we matched out on that front and if not what is the targeted upside on that?

**Ashok Jain:** Well the operational efficiency is on two instances actually, one is the glass production, so you produce the glass from the furnace, the furnace is a certain capacity of in case of two furnaces combined we have a capacity of 450 tonnes per day, so what is the full we take out from the furnace this is one measurement and after that the second measurement would be that how much glass we finally receive as a tempered glass because at the end of the day the module manufacturer supplies tempered glass, which is the finished product going out from the factory, so at that level from the gross production to that net production what is the net ratio which is what we are more concerned because that efficiency or wastages or losses in the process have a lot of cost because you produce the glass and if you have wasted in the process till you reach the final production then that becomes a product to be recycled, but then all the overheads are incurred, so we measure it on both the accounts, but in terms of what is left out to answer that question, in the case of gross hardly anything is left out maybe 2%, 3%, 4% and in the case of efficiency is also there are 4% to 5% points we can go up in terms of efficiency also.

**Vaibhav Temani:** Alright, thank you.

**Moderator:** Thank you. The next question is from the line of Ganeshram from KSEMA Wealth. Please go ahead.

**Ganeshram:** Thank you for taking the time for answering my question, from the domestic demand side we were expecting about 25 gigawatts in our module manufacturing with certain capacity to come in given the status of 42 gigawatts going forward is that correct?

**Ashok Jain:** Yes, so actually the capacity right now is about 14 gigawatts and another 18 gigawatts of capacities have been announced by various players, we have to see how much of this actually comes online and when, but over the next 2 years we expect most of it to come in stream, beyond that another 10 gigawatts has been announced by large players and this should total up the capacity to roughly 40 to 42 gigawatts. In terms of the capacity utilization this is based on actually three shift working of the plants, in the case of module manufacturing industry what we have typically seen is that on an average the capacity utilization is about two-third, so even then when you have 40 gigawatts capacity or 42

gigawatts capacity your utilization is going to be say about 28 to 29 gigawatts at the most, so in terms of the manufacturing actually taking place our projections are at about 20 gigawatts in the course of the next 2 to 3 years it should reach 20 gigawatts or thereabout and the capacity utilization might be about 50%, 55%, 60% depending on each module manufacturers ability.

**Ganeshram:** So going forward currently I believe about 20% of our revenue comes from the exports, so how that much is going forward on this capacity addition?

**Ashok Jain:** So, we are projecting the exports to go up further because of the large opportunity sitting in Europe, Turkey and American markets and we believe that we can raise the exports to about 25% on our expanded capacity, so we have huge opportunity in terms of raising the exports and it also help us to derisk the market from any angle and also diversify our geographical approach reach of the markets.

**Ganeshram:** That is very clear and I believe in one of our previous concall you had mentioned that there were some losses on increment level of production so we actually are about 73% output after accounting for everything. How about those issues, are they solved and how is that looking up now?

**Ashok Jain:** So, glass pull is almost 97% to 98% as I said, but in terms of the efficiencies we have still some work to do and there is a room to increase our efficiency.

**Ganeshram:** Alright, I am not taking so much time just two more quick followup questions, so for SG#3 the capital structure was highlighted. Do you have any guidance on how the financing might look like for SG#4 and SG#5 projects?

**Ashok Jain:** Yes, broadly the capex on SG4 is going to be about 650 Crores and similar capex maybe expected on SG5 whenever it is taken up, but at current point in time we can estimate it to be roughly the same, so that is the kind of money we will require in order to complete these two projects and in terms of the financing the Board has approved the mechanism to use all the three sources like debt, equity and internal accruals, how much exactly will be for each of the projects that we will have to figure out as we go along, but the Board and the shareholders have also approved raising of 500 Crores by way of equity, so to the extent we require money for the remaining part of it, we will have to see what are the internal accruals available and accordingly decide on the debt front.

**Ganeshram:** Just a last question broadly about the position of the market, what sort of percentage of our solar glass that is actually imported and how much we expected to come going forward?

**Ashok Jain:** Your question is on the demand front?

**Ganeshram:** That is correct, from the total demand that we have what percentage are we sort of importing at the moment and how much do we expect it to come going forward?

**Ashok Jain:** So currently we have a market share about 35% in the overall demand for solar glass in the country, as we go along there will be certain capacities coming up from our side and the demand will also be growing and in case there are more capacities coming up from the other players who may setup for captive consumption or for sell in the market this will be a complex situation where this will be arrived at how much will be the import or how much will be the domestic production, but we foresee or we rather plan to be enjoying a market share of at least about 50% even going forward.

**Ganeshram:** Thank you so much for your answers.

**Moderator:** Thank you. The next question is from the line of Nikhil Chowdhary from Kriis Portfolio. Please go ahead.

**Nikhil Chowdhary:** Good evening, Sir. Congrats on a great set of numbers. I have two questions considering what all we have discussed regarding the 2 mm glass and the glass-glass modules, the demand for which it seemed to be priced, I wanted to understand considering we are the leading suppliers what do we have an edge over the other guys who probably do not have this technology of manufacturing the 2 mm because considering the glass-glass modules will be requiring thinner glass and we have the technology, would not we have the pricing power in terms of these glasses?

**Ashok Jain:** So, very good question, actually the 2 mm glass is becoming popular for the glass-glass modules across the world and we have fully tempered, we have been a pioneer in producing fully tempered 2 mm solar glass in the country or in the world and now because the other people have not been able to deliver fully tempered 2 mm glass they have gone ahead to supply heat strengthened glass, it is less than the fully tempered glass, so since the process is so astringent and their losses are higher the other manufacturers have gone ahead to supply 2 mm heat strengthened glass and that has been accepted by various module manufacturers, so the niche or whatever we have in terms of fully tempered glass is appreciated by certain manufacturers in Europe, but in China particularly it is heat strengthened glass, which is being used as a 2 mm glass, but for the fully tempered glass, which we are able to supply, deliver to our customers in Europe and all we certainly have an edge on the pricing and also on the preference over the other HS glass, which is available from other part of the world, but largely the market is consuming the heat strengthened glass as of now.

- Nikhil Chowdhary:** Got it, are we looking to patent this, is it patentable thing that we have?
- Ashok Jain:** Actually it is difficult to do a patent of this kind of a process because the equipment and the capability can be achieved by others also and this is not very different in that sense, it was something unique, we have been able to do it that is another bit.
- Nikhil Chowdhary:** Got it and secondly on the new players that are looking to set up capacity for the solar glass, wanting to understand what would be the cost for our own customers like moving to them or the market is that everyone will be growing, wanted to understand your perspective on that?
- Ashok Jain:** Being the existing player in the solar glass production we have certain advantages, which includes that whatever glass we are supplying to our customers had been already used by them, they already made the modules, they already got the glass certified with the module, so our glass have been certified for use in their modules by themselves and also the international agencies, so anybody who is coming new with the solar glass supply has to go through the process of first getting the glass certified and once we had received the favorable comment on that or certificate on that then you supply this to the module manufacturers who prepares list of materials and then he make some modules and then he submits it to the central city agency, so now with these things takes a lot of time and lot of course in holding the whole exercise, so we have an advantage and edge over the new players, but the new players eventually will be able to do this, but the time required and the amount of costs and losses which they may be subjected to may be substantial.
- Nikhil Chowdhary:** Got it, understand. That is it. Wish you all the best and happy Diwali.
- Moderator:** Thank you. The next question is from the line of Kevyn Kadakia from Axis Capital. Please go ahead.
- Kevyn Kadakia:** Thanks, any thoughts on service revenue via O&M and also in the longer term any potential via recycling of solar glass?
- Ashok Jain:** Well O&M is business, which we have not been examining, but recycling is what we have been evaluating in terms of initial thoughts and in India so far the industry is not very old it is only about 4 to 5 years that the lot of installations have started to come up and the module life is 25 years, so the lot of models might go out of circulation after say next another 20 years or 15 years, so after that the recycling may become major business, but we have been closely watching this space and this could be interesting future going forward, so the recycling will only take place by way of collecting the modules and removing the various components and remove the glass from it and then recycling it and now

**P.K. Kheruka:** As of now, I would say that there is no real technology available to separate the glass efficiently from the other components of the module, so this is still something a little bit in the future.

**Kevyn Kadakia:** Got it, Sir. Thank you.

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

**Shridhar:** Thanks a lot for taking a question and congratulations on great set of numbers and I see EBIT margins have improved from year-on-year, but compared to quarter-on-quarter they have reduced significantly, I just wanted to know the reasons behind it?

**Ashok Jain:** So, actually as I mentioned during the opening remarks the prices started to decline, the selling prices are actually governed by what is happening in China, Malaysia, and all because almost 90% or 95% of the solar glass production is in the hands of China and the prices are accordingly decided by them based on the demand supply situation, so in Q4 four of last year, the prices are running quite high, they started to decline in the first quarter of this financial year and we also required to match the landed cost of imports but there is a certain time lag available for imports versus local supply, so our price reduction started around middle of May, so in the first quarter of this financial year we suffered certain dip, which was not exactly the same reduction, which happened in the prices, but as we went along the prices had to be aligned to the imported landed cost, which is why the prices are down in the second quarter this financial year, so basically there is a 16% decline in the average realization in this quarter that is July to September, but as we speak the prices started to recover from September end itself and prices are currently about 18% to 20% higher compared to the quarter that July-September quarter, so prices have actually come back to the earlier levels more or less and this is a phenomena, which is governed by, as I mentioned by the Chinese manufacturing or demand supply situation, so the decline is basically because of the prices not for any other reason.

**Shridhar:** My second question is on you said you have a technology for heat tempering this 2 mm glass, but the competitors does not have, so they are going with HS glass, so what is the cost of HS process versus our heat tempered process, will there be any cost advantage they have versus what we have or they are going to cost the same?

**P.K. Kheruka:** They do not have a cost advantage, so they are not able to achieve the full tempering, but they have to spend the same amount of money, nearly the same amount of money in heat strengthening glass, so there is no saving in terms of cost price I would say.

- Shridhar:** But quality wise, I think the customers can have?
- P.K. Kheruka:** The quality is different in heat strengthening it is less strong; in fully tempered it is strong.
- Shridhar:** What you are saying is like the same price our product is higher quality compared to the competitors?
- Ashok Jain:** Yes, you can say that, but we of course seek a higher price because of the product being superior, another feature would be the cost of the line itself, the tempering facility which we have is much more costly than generally specifically the Chinese or other producers have who are using their equipment for heat strengthened glass so it may not be the same facility, their course maybe little lower in terms of the equipment.
- Shridhar:** Thanks a lot Sir. Congratulations and all the best for coming quarters.
- Moderator:** Thank you. The next question is from the line of Mudit Kabra from Hem Securities. Please go ahead.
- Mudit Kabra:** Congratulations for the management and I have some basic questions like what was the capacity utilization for the quarter?
- Ashok Jain:** Capacity utilization on the production of glass was of roughly 97% and in terms of the final product it was at about 68%.
- Mudit Kabra:** Sir, can we talk about this number like the average realization per square meter of the glass?
- Ashok Jain:** So it was mentioned in the remark that the average realization during July to September was roughly about Rs.118 per square meter of glass and the current prices are higher.
- Mudit Kabra:** How much square meters of glass we derive like on an average term one tonne of production?
- Ashok Jain:** One tonne of production is 200.
- Mudit Kabra:** 200 square meters of glasses?
- P.K. Kheruka:** 200 square meters of 2 mm glass.
- Mudit Kabra:** Of 2 mm glass and what about 3.2 mm glass?
- Ashok Jain:** It would be 8 kg per square meter so about that much has got 125 or something.



- Mudit Kabra:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Jimesh Sanghvi from Principal India. Please go ahead.
- Jimesh Sanghvi:** Can you share the capex number which has been incurred in relation to the third quarter, which has been there?
- Ashok Jain:** Yes, as of now we have been paying the advances and opening the LCs that is the status, we have spent close to 120 Crores or so as of now on the project and lot of LCs have been opened for the equipment and they will be coming gradually over a period, so the balance payment will be made to other supplies so commitment have been made, but the actual payments have been about 1820 Crores.
- Jimesh Sanghvi:** Sir, we have seen an increase in the export percentage on a revenue basis, so can you share that number in terms of volumes as well and if you can also throw some light on whether the exports are more profitable vis-à-vis the domestic sales?
- Ashok Jain:** So, in terms of the volume also the exports have gone up substantially, in this quarter the exports are about 11 lakh square meters, which was about 18% or so of the overall sales, in terms of the export realization or their profitability vis-à-vis the domestic for the last 2 to 3 quarters, the exports profitability have been slightly lower than the domestic profitability because the domestic prices have certain advantage in terms of being capable of capturing the CVD, which has been introduced on the Malaysian exports to India from March 2021, and also because the international freight for our customers who are wanting to receive goods from Malaysia, Vietnam or China has been very high and since that becomes a part of the lended cost we are able to price our product higher in that proportion, so the domestic relations have been superior in that sense and export realizations have to be aligned to the domestic competition in every geography, so depending on that we have to price our product so we do not get a similar advantage as of now though in many countries where the local production is not there we are aligning the prices to the competition and accordingly price our product, so as of now export profitability is slightly lower.
- Jimesh Sanghvi:** Are we seeing a slowdown in the overall domestic demand because we have been exporting more, is there something in the domestic market, which could be a bit of a concern for us going ahead because we are talking about imports of around 50% to 60% and on the other side we are exporting almost 18% of our overall volumes?
- Ashok Jain:** So, basically the company has been exporting around 15% of its production and we use export as a part of our strategy in terms of improving our quality and service on our factory

level and also as a part of diversification of the geographical risk of any nature, moreover the export customers were wanting material from us earlier also, but we had limited capacity, so until 2019-2020 we had only one furnace, so we were not able to give larger volume, as we have more supply available now we are increasing and as we are adding capacities we have to be ready to be able to supply larger volume to the customers, the particular customers are requiring certain volume, minimum volume from you unless we are able to satisfy that they would not be interested in placing orders because they cannot keep on changing the production line every now and then, so certain minimum volumes will have to be supplied to certain large customers that is why we have been able to increase our exports in the recent times and it is a part of a strategy that I had mentioned that we want to increase our focus on the exports and the geographies of our good opportunities like Europe, Turkey and USA as I had mentioned for growth in exports.

- Jimesh Sanghvi:** But there is no slack in terms of the domestic demand, is that the right assumption?
- Ashok Jain:** Absolutely no slackness in fact as I mentioned we only have 35% market share that should give an indication that 65% of market we are not able to service, so there is no dearth of orders from the domestic market and the customers are actually wanting more each time they place order and in many cases cut down on the requirement because we have certain availability of glass, which we need to allocate to various buyers.
- Jimesh Sanghvi:** Lastly when we look at the new furnaces which would come up now, these furnaces are larger in size compared to the ones which we have right now, so will it be more efficient on a comparative basis will our profitability be better on these furnaces if you can share some numbers out there if it is possible?
- P.K. Kheruka:** We cannot say that for sure because we have not operated these furnaces yet, we need to operate them to come to a real assessment, as we speak right now there should be a similar cost of production for us.
- Jimesh Sanghvi:** You said that we are seeing an increase in the commodity prices of raw materials correspondingly we are seeing a 20% increase in realizations for Q3, does it largely cover the entire cost increase or probably the realization increases higher than the cost increase how should one look at that?
- Ashok Jain:** So as of now as I mentioned is that the raw materials or input cost have an impact of about 8% of the price, but current prices are 18% to 20% higher compared to what they were in the last quarter, so I am not giving an indication that 18% to 20% price will be higher for the quarter, but the current prices are like that, so the prices are more than offsetting the cost increase as you can see.

- Jimesh Sanghvi:** Thanks Sir that was pretty helpful and thanks a lot for all the answers, thank you.
- Moderator:** Thank you. We take the next question from the line of Harshil Shethia from AUM Fund Advisors. Please go ahead.
- Harshil Shethia:** Sir, you said that we have efficiency of 500 bps, which we can cater to, so with the whole thing and considering that our new furnace will come in CY2022 or next year June what kind of topline do we see in the next 2 years?
- Ashok Jain:** So until the new production comes the topline will be roughly the same except for whatever efficiency increase we can bring in terms of the volume, but in terms of the prices it could be volatile as we have seen in the past and also in the last 2 quarters, so you have to take an average and certain rate at which the production can be valued, so I would advise you to take the current 6 months as the basis for the next 6 months to be safer and in terms of the volumes after the new production come in we are currently at 450 tonnes and we are going to increase by 550 tonnes, so in that proportion the volume and sales could be expected to rise.
- Harshil Shethia:** Can we say that 35% will be a sustainable EBITDA margin for us?
- Ashok Jain:** You can probably analyze from the performance and the prices and all and we believe that on an ongoing basis between 30% and 35% should be a decent assumption on account of EBITDA margin on a sustained basis.
- Harshil Shethia:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for closing comments.
- Ashok Jain:** Thank you so much all the participants for providing this opportunity to us to interact with you and it has been very insightful questions from all the participants. We are very happy to interact with you again next time when we meet. Thank you. We are very bullish or very positive on the sector and we believe that we have a significant upside in future to grow our business and grow our domestic as well as export business. Thank you very much.
- Moderator:** Thank you very much. On behalf of Axis Capital Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.