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May 25, 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 May 14, 2021.

Audio recording of call is available on **http://borosilrenewables.com/analyst-meet.html**

You are requested to take the same on record.

Thanking you.

Yours faithfully,

For Borosil Renewables Limited
(Formerly Borosil Glass Works Limited)

Kishor Talreja
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“Borosil Renewables Limited
Q4 FY2021 Earnings Conference Call”

May 14, 2021

ANALYST:	**MR. VAIBHAV SABOO - 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. RAJESH CHAUDHARY - WHOLE-TIME DIRECTOR - BOROSIL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2021 earnings conference call of Borosil Renewables 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 now hand the conference over to Mr. Vaibhav Saboo from Axis Capital Limited. Thank you and over to you Sir!

Vaibhav Saboo: Thanks a lot, Rutuja and good day everyone. I hope everyone is doing fine and healthy. On behalf of Axis Capital, I am pleased to welcome you all for the Borosil Renewables Limited Q4 and full year FY2021 earnings conference call today. Today, we have with us the management team represented by Mr. P.K Kheruka, who is the Chairman, Mr. Ashok Jain, who is the whole-time Director, Mr. Sunil Roongta, who is a CFO and Mr. Rajesh Chaudhary, Whole Time Director. We will first begin with the opening remarks from the management followed by detailed Q&A session. With that, I hand the over the floor to Mr. Kheruka. Over to you Sir! Thank you.

P.K Kheruka: Good morning and welcome to the Borosil Renewables Q4 FY2021 investor call. It is a pleasure to be interacting with you once again. The Board of Borosil Renewables approved the company's financial results for the Q4 FY2021 and the full year FY2021 on May 12, 2021. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the company's website.

The company has had an excellent quarter of operations with record production and sales. The company achieved sales of Rs.195 Crores, a growth of 106% over the corresponding quarter in the previous year. EBITDA during the quarter at Rs. 106.6 Crores was about 4 times the EBITDA in Q4 FY2020 and profit after tax at Rs. 66.9 Crores multiplied about 16 times that in the corresponding quarter in the previous year. You would all recall that Q4 FY2020 was partially impacted due to the nation wide lock down imposed in March 2020. The record sales in Q4 FY2021 have been significantly aided by high price realizations owing to an overall global supply crunch flowing from elevated local Chinese demand, which could not be matched by supplies leading to higher prices. This is likely to moderate as supply catches up with demand over the next few months or the demand slows down for some reason, which has actually happened after March 2021.

We achieved our targeted production capacity of 450 metric tonnes per day, which represents a 100% of installed capacity during February and March 2021.

I am pleased to share that the company has been awarded a trophy for 2021 and a cash price from the Technology Development Board, Government India towards its effort to develop a commercialized technology for Antimony-free solar glass. This prestigious award in the recent times has been conferred on Bharat Biotech, Reliance and Larsen & Toubro. I shall now proceed to discuss overall operations during the FY2021, developments relevant to this industry and the outlook for the future.

Revenue from operations for FY2021 stood at Rs. 502.3 Crores, a growth of 85.4% over FY2020. Out of the above, exports including to customers in the SEZ during the year under review were Rs. 108.9 Crores as compared to Rs. 62.7 Crores during the previous year. Exports comprised 21.67% to the company's revenues during FY2021. EBITDA at Rs.202.7 Crores grew by 406% over the previous year. Profit after tax at Rs. 89.6 Crores grew several folds over FY2020. The tax paid during FY2021 includes the one-time charge of Rs. 18.6 Crores representing income tax on the compulsory acquisition of land belonging to Erstwhile Borosil Glass Works Limited by the municipal corporation of Greater Mumbai. The company decided to avail itself of the direct tax Vivad Se Vishwas Scheme in the settlement of this matter, which had been earlier disputed based on expert advice received by the company at that time. Without this exceptional item the profit after tax would have been Rs. 108.3 Crores corresponding to 21.6% of revenue.

The year 2020-2021 saw a major transition in the company with improved operational performance by achieving higher production, sales and operational efficiencies following the capacity expansion implemented in 2019-2020. The company had in 2019-2020 added a second furnace with the capacity of 240 tonnes per day, which entered commercial production in August 2019. It also resumed operations of the first furnace in December 2019, following a complete rebuilt to an enhanced capacity of 210 metric tonnes per day. The operational performance started to see full impact from December 2019 onwards. The company could register a revenue of Rs. 94.3 Crores, and an EBITDA of Rs. 21.2 Crores for the last quarter from January to March of the previous financial year. This would have been higher, but for the nation wide lock down and restrictions imposed from March 23, 2020, due to which a significant sale for the quarter could not be achieved.

In FY21, the performance of the first quarter remained severely impaired due to the impact of COVID-19 with shut downs, partial operations across the entire country as also in the rest of the world. The situation started to improve towards the end of June 2020; however, due to the atmosphere of panic there was a fall in demand and the selling prices of finished goods had to be dropped by us significantly during the first quarter of the year gone by led by dumping from China and Malaysia at prices much lower than the level prevailing during January to March 2020. The recovery in prices started towards the end of September after which the import prices kept continuously rising until January 2021, before a sharp correction, which occurred towards the end of March 2021. The price rise arose from a mismatch between demand and supply due to higher installations in China and a steady shift towards the use of glass-glass modules, which requires two glasses to be used as against just one in a conventional module.

95% of the global production of solar glass is controlled by Chinese companies, who determine international pricing. Our company's large customers follow the price trend of imported glass and as such the company was able to realize higher selling prices from its domestic as well as export markets.

The company has historically faced pressure on the selling prices due to continued cheap and dumped imports from China and Malaysia. The imposition in 2017 of Anti dumping duties on imports from China provided some relief, but its impact was only marginal due to a shift of major supplies from Malaysia, which continues to offer glass at a very low cost based on the generous subsidies to its companies, which are not available to domestic Indian manufacturers.

Large volumes of imports at dumped prices continue to flow from Malaysia, which acquired a significantly large market share. Finally, on March 12, 2021, the government levied countervailing duty on import of solar tempered glass originating from Malaysia. The Anti dumping duty against import from China remains valid until August 2022. The company has filed an application with the concerned authority to extend the duty for another 5 years considering a strong likelihood of continued dumping in view of large production capacities being added by Chinese companies, which are likely to cause a surplus and heighten the dumping. This has already started to happen after levy of countervailing duty against Malaysia as imports from China have started to rise from April 2021.

As you all know, the company made a qualified institution placement issue in December 2020, at an issue price of 126.55 and garnered about Rs.200 Crores for part financing of project SG3, which would be the third furnace of the company. The company has also tied up term loans of Rs.200 Crores with commercial banks of the set project. The balance will be funded from internal accruals. During the year under review, the company started work on installing this third furnace with an installed capacity of up to 500 tonnes and the work on the project is progressing as per schedule. The said project is likely to be commissioned by Q2 2022-2023.

The company has been keeping a constant watch on developments taking place in the sector.Many such developments aim at boosting domestic manufacturing and supply chain within the country to make it "Atmanirbhar Bharat". Manufacturing of solar modules has been growing over the years though this still constitutes about 50% to 60% of the instillations during the last year. In order to promote domestic manufacturing of modules, the Government has taken a series of measures in the last 2 to 3 years. The solar power generating installations setup under programs such as the CPSU scheme and KUSUM scheme (which represents solar water pumps for agriculture sector) and subsidy on residential roof-tops are required to use modules made in India using domestically manufactured solar cells.

The Government also levied a safe-guard duty on import of cells and modules in July 2018, which shall continue until July 2021. The manufacturing linked tender for 6GW under which integrated manufacturing capacities are required to be setup was also announced. Finally, basic customs duty of 40% on import of modules and 25% on import of solar cells to be effective from April 1, 2022, has been announced by the government. Finally, the most recent announcement relates to a PLI scheme, which is performance linked incentive scheme under which additional production of high efficiency solar modules cells in further backward integration will be incentivized. The scheme promotes use of domestically produced components as incentives are designed to be at a higher rate in case of greater use of domestic components. This incentivizes a solar module manufactures to source solar glass and other components from domestic producers.

Coming to the status in the country, the growth of solar energy in the country has gained momentum in the last 5 years. The Government had planned to set up a 100 gigawatts of solar power instillations by 2022 and a new target of 300 gigawatts by 2030 has been set. To achieve this, we need corresponding quantity of solar modules, which would either be imported or made domestically.

Domestic manufacturing of solar modules requires supply of solar glass, which again can either be imported or sourced domestically. The actions on the ground in all the sectors that is to say grid power, roof-top and solar water pumps are showing good growth. Electrical vehicles could be another big area for a growth of solar power. Agencies like Solar Energy Corporation of India Limited (SECI) are creating enough demand visibility and auctions are being held much in advance. The total annual manufacturing capacity of solar modules in India currently stands at about 11 gigawatts. Significantly large capacity additions have been announced by various existing and new players. It is expected the 13 gigawatts additional capacities will come up in the next 1 or 2 years taking up capacity to 24 gigawatts.

The module manufacturers are also looking at supply chain of the key components from domestic sources including for solar glass. The Government is attracting investment into production of polysilicon ingot and Wafers so that there is a supply for the strategically important sector. Coal India has announced plans to setup such a facility for 10 gigawatts. Capacity additions in cell manufacturing gives rise to expectations for the capacity to ramp up to about 15 gigawatts. The rise in the installed capacity of solar module and cell manufacturing will lead to a rise in the production of solar modules, which in turn will lead to a higher demand for solar glasses.

An important amendment to a law governing levy of duties on clearances from SEZ into DTA has plugged a loop hole, which had previously allowed dutiable imported components to escape levy of duty when assembled into a finished product cleared from SEZ into DTA. This will negate the preference given by the module manufacturers in SEZ to using imported solar glass and we expect demand to divert to domestic sources of supply.

Considering the above market situation, the glass demand going forward indicates room for further expansion. In addition to its presence in the domestic market, the company has a meaningful presence in the export markets. While the company's exports are mainly to European nations, its customers are spread across other countries including Turkey, Russia, Middle East, Africa, North and South America. The European Union has recently launched a "solar accelerator program", which envisages the setting up of almost 8 to 10 gigawatts of module manufacturing capacity in the European Union within the next 3 to 4 years to augment its present manufacturing capacity, which is insufficient.

The European Union has recently extended by 5 years, the levy of Antidumping duty on solar glass coming from China. These developments will allow the company to increase exports and gain market share in this market as well.

All the aforesaid factors indicate a promising demand scenario for solar glass. To meet this growing demand, the company has decided to go for a further expansion of manufacturing capacity by another 1000 tonnes per day. This will be realized by setting up 2 more furnaces namely the fourth and fifth furnace each with a capacity of 500 tonnes per day in two phases. Phase 1 is expected to be taken up in the second half of the current financial year and phase 2 will be taken up immediately after commissioning of the current expansion SC3 on hand in 2022-2023. The proposed capacity expansion plan under phase 1 envisages setting up a new furnace with all downstream activities like grinding, coating, drilling, back printing and tempering facilities at the same factory location in a new building.

Phase 1 will entail an estimated capex of Rs.550 Crores excluding margin money for increased working capital and GST. It is expected that phase 1 will be commissioned by April 2023. The company has decided to finance the same by using a mix of debt, equity, and internal accruals. The board had decided to raise Rs. 100 Crores by way of a rights issue of shares to part finance phase 1. For the purposes of giving effect to the rights issue the detail terms in relation to the rights issue including, but not limited to the issue price, rights entitlement ratio, record rate, timing and terms of payment will be determined and notified in due course.

I would now like to open the floor to questions that you many have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good morning Sir and congratulations on a superb quarter. Sir, my first question is how was the realization of solar glass in the last 2 months compared to Q4 FY2021 and how do you see the EBITDA margin going forward for the business? Last year the EBITDA margin was too high. Do you see any pressure on the margin that is the first question? Secondly, what is the capital expenditure required for 1000 TPD expansion? Will it be close to Rs 1000 Crores or do you expect it to be lower than that and do we have input raw material available for this large expansion? What is the strategy for sourcing this raw material?

P.K Kheruka: Thank you for you questions. To answer your first question, the prices have come back to the normal levels, which were prevailing in March 2020 already. Therefore, the question of the EBITDA that we have seen in the last quarter is not likely to be repeated. The demand remains robust in terms of quantity so far, but the advent of the corona problem, the second wave has been causing some disruptions and it is very difficult to project what the output is going to be like in May and June. Having said that, I would say that according to the numbers that we see being published, the rate of infections is declining to some extent though they remain high and it is really a very very open ended from the standpoint of the functioning of operations both in the manufacturing and in the field regarding instillation of modules. So far manufacturing operations have not been impaired significantly.

The second question that you had was pertaining to the expansion. It is quite likely that it would be in the region of about Rs. 1100 Crores for about 1000 tonne capacity growth. There is always room for improvement and reduction or we could face inflation for example now, commodity prices have risen significantly and the prices of steel have really gone up enormously. All this has caused the rise in the price of equipment, which we are attempting to source for the current program. So this whole pandemic has raised a lot of issues in the world and it is not so easy to predict anything. I am afraid I cannot say more than that.

So far as the EBITDA is concerned, again you already have the information until March. For the current quarter we are only halfway through the quarter so it would be very rash of me to make any kind of a suggestion as to what might happen at the end of this quarter.

Mohit Kumar: Sir, one question, what was the bifacial module production as a proportion of total modules in India? Do we have some data regarding that?

P.K Kheruka: We have just a very tiny quantum of bifacial modules. People are still experimenting with the bifacial modules in India, but you see the thing is this that the solar industry, it takes time to experiment and then it moves with lightening speed. If there is a demand for bifacial modules suddenly, it will probably not be going at 2% and 3%, but is likely to jump more rapidly. So that is something that remains to be seen. For example, in China, 30% of the modules are bifacial and they installed 41 gigawatts last year. This year they are targeting about 60 gigawatts. So there will be 50% more than what they did last year and they are planning to go up to 60% of all modules coming up in bifacial. Therefore, bifacial modules are definitely something that we are looking at quite seriously and the world is looking at quite seriously.

Mohit Kumar: Thank you, Sir. Best of luck.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Sir, thank you so much for the opportunity. Sir, you spoke about an 11 gigawatt of capacity for the solar module, which is already present domestically, so while there is rated capacity what is the peak utilization, which these capacities can move to?

P.K Kheruka: The utilization last year was about 4 gigawatts in which many, many factors played a role. Not the least of which was problems that people had in finding workers to come and man their factories. For the first 6 months there were a lot of problems with that and the Corona spread a lot into the industrial heartland. August, September, October these three months were really bad for Corona and lots of factories were shutting down and could not find workers. So last year the capacity utilization was about 4 gigawatts out of 11, but actually speaking 11 gigawatts capacity can turnout 11 gigawatts of modules. There is no problem with that and we see that there are some factories when they are working with full capacity of people, they are churning out 100% capacity and about another 13 gigawatts is setup for instillation. So, about 24 gigawatts capacity should be available in India in another 12 to 18 months let us say.

Abhishek Ghosh: And that should help us to get to overall target of government to reach that solar overall installations so that 20 to 25 gigawatt of capacity domestically the import dependence will come down drastically to reach to the overall target of that 5 years?

P.K Kheruka: Considering the fact that we had a 4 gigawatt of installation last year, it would be reckless for me to try and predict what kind instillation we might have this year. Certainly there is no letter from the side of the government. People who are able to setup capacities would be paid, so there is no shortage of funds. There could be logistical issues and issues with workers and things like that, so I would say that the capacity this year would be utilized much more than it was last year. That is my general sense. Also, fresh capacities are being installed everyday so whatever we are producing will be easily sold because as of now with these two furnaces we are doing 2.5 gigawatts only. So, as far as we are concerned there is no issue of demand. Even with the third furnace, which is expected to come up in the second quarter of the next financial year we do not see any issue at all with selling our entire capacity.

Ashok Jain: Just to add here, what we understand from various customers, the average module capacity utilization could be about 65% to 70%. However, depending on the situation it may fluctuate between 25% and 100%.

Abhishek Ghosh: Sure and Sir, the other question that I had is what is the effective cell production capacity in India?

P.K Kheruka: It would not be right for me to comment on that because we do not manufacture cells and these are being made by other people and everybody has their expansion plans. From whatever I can see based on the very strong incentives, which are being seen from the government, cell production in this country is going to rise dramatically.

Abhishek Ghosh: Sir, broadly 500 TPD should give you about 2.5 gigawatt is what is you are calling out?

P.K Kheruka: Yes, correct.

Abhishek Ghosh: Sir, another 1000 TPD will translate to another 5 gigawatts, so you will basically be able to cater about 7.5 gigawatt post your expansion, right?

P.K Kheruka: No, 10 gigawatts post the 1000 tonnes expansion., Right now we are at 450 tonne we are going for another 500 to 550 tonnes that will bring us up to 5 gigawatts. Then another 1000 tonnes on top of that would give us another 5 gigawatts. So, we should be able to handle 10 gigawatts by the time this proposed expansion is complete.

Abhishek Ghosh: Thank you.

Moderator: Thank you. The next question is from the line of Ravi Mehta from Deep Financials. Please go ahead.

Ravi Mehta: Thanks for the opportunity. Sir, you just mentioned that the realizations are coming back to earlier levels. Is it possible to quantify what could it be and what was it average in Q4?

P.K Kheruka: Mr. Jain would you like to answer this question?

Ashok Jain: Yes, sure. So, the average realization as Mr. Kheruka had said has gone to the earlier levels. Having said, that the earlier levels of realization used to be Rs.100 per unit, but there is an impact of countervailing duty now against Malaysia. So the average realization has not gone down to that extent. It is still at about Rs.115.

Ravi Mehta: When you say 115 per unit, how does it translate into per tonne or a square meter rate?

Ashok Jain: Yes, 115 per square meter it is or 1 mm.

Ravi Mehta: Okay, where it has per mm?

Ashok Jain: Yes.

Ravi Mehta: Sure, and another question was on the power cost, so that has to do with the gas prices going up so it has been inching up for the last few quarters?

Ashok Jain: Power cost did not go up on per unit consumption basis. It has gone up in absolute terms because the production is high and since we had highest ever production in the Q4, the amount is looking high.

Ravi Mehta: Okay, so this could be a normal run rate at full utilization?

Ashok Jain: Yes, gas cost was a little higher in the beginning of quarter. That has come off slightly now, but it keeps fluctuating so one can assume this to be a normal situation.

Ravi Mehta: Sure, and in the new capex that we are planning the 1100 Crores capex you alluded to - are we having the 2 mm tempered lines also been factored in that or that could be additional on top of it?

P.K Kheruka: Yes, we are factoring thinner glass into this. It is a fairly complex matter because we do fully tempered thin glass. Lot of the markets are unable to do it so they take what is called a heat strengthened glass, which is less than fully tempered. Therefore, we will have to wait and see how other markets around the world respond to this. In Europe so far we have demand for fully tempered glasses. To my knowledge most people in China cannot make fully tempered thin glass. This is still one of those things which is bit of a grey and we will have to see what develops as it comes along.

Ravi Mehta: Sure and what current tempered lines we have are we utilizing it fully or still not utilized fully?

P.K Kheruka: The tempering lines require to be refurbished from time to time and so they have to be taken down for maintenance. Keeping that in mind I would say that we have a little bit of surplus on tempering capacity. We do not want to lose any orders because we do not have tempering available.

Ravi Mehta: So, as the situation evolves you may think of adding tempering lines as and when we get clarity?

P.K Kheruka: For the furnace that we are adding, we immediately order all the tempering that we need plus some because of maintenance. Therefore, we would always have enough tempering available. It is not just tempering, you have to grind the glass, you have to wash the glass in many cases, holes drilled in the glass at very high speed. The glass has to be coated with anti-reflecting coatings or anti-soiling coatings and so on and then tempered. So, there is a lot of equipment, which comes into play after the glass has been manufactured and cut to size.

Ravi Mehta: So, probably that 1100 Crores capex you alluded to factors these balancing equipment and tempering?

P.K Kheruka: Yes, of course absolutely.

Ravi Mehta: Sure, and lastly probably I missed on the point that if we are expanding the capacity to this extent are we already in talks with raw material suppliers and how to ramp up the sourcing contracts and can we see scale economies on that because of the volumes going up?

P.K Kheruka: See, some marginal improvements in economy of scale I would say on the raw materials I mean.

Ravi Mehta: And overall the power cost also can we expect benefit as scale improves?

P.K Kheruka: Whatever is the government policy is what would determine our cost really.

Ashok Jain: In terms of consumption it does not give economy of scale. Each plant is a separate one and remains separate. As far the power cost is concerned as Mr. Kheruka said it depends on the Government's pricing plus the Governments incentives such as an electricity duty waiver or any power rate subsidy.

Moderator: Thank you. The next question is from the line of Jimesh Sanghvi from Principal Asset Management. Please go ahead.

Jimesh Sanghvi: Sir, congratulations on good set of numbers. I just wanted to know how do we enter into a raw material contract. Are they annual contracts and are we seeing any price inflation on that part going ahead? Second is with such aggressive capacity addition and with an overhang of Anti-dumping duty on Chinese imports coming to an end in about a year, do we see any risk to price realizations for ourselves?

P.K Kheruka: You see, answering your first question, raw material is something that we have been working with for a very long time and we have good relations with our vendors and we do not foresee any difficulty in ramping up the quantum of the supply and we do not see any difficulty being able to maintain a steady stream of supply at good prices. Relationships are always long-term as far as we are concerned, we do not engage in spot market business, we have long-term relationship. Regarding the threat of Chinese supplies, you see we have come to this point where we have because we keep a tight watch or close watch on our costs and this is a constant effort by the company where we keep on and on trying to figure out how we can bring cost even lower and lower and we had succeeded so far. We have been around for the last 11 years and I feel that we shall be able to meet Chinese competition as and when it comes. We do have the WTO on our side in the sense that there are rules, which do prevent dumping from taking place and they allow imposition of Anti dumping duties, which have been imposed not only by us, but by the European Union as well against imports of solar glass from China. So, we do not see any reason to believe that these will not be extended and then nobody can tell the future so we are not particularly worried about that.

Jimesh Sanghvi: Yes, just a couple of clarifications, one on the raw material front, are we seeing any cost inflation out there with commodity prices across the globe rising and which could lead to some margin pressure in the next year?

P.K Kheruka: See, it is very difficult to address that because after the pandemic there have been many, many changes in the working style of people. For instance, one does not see a lot of pressure on office buildings. So, I do not know how construction is going to be. I do not know about flat glass and soda ash prices and things like that. So, I cannot say whether soda ash prices are going to rise or fall. That is the single biggest item that goes into the production of glass in terms of cost. The other matters are fairly steady. I do not see any great pressure on that.

Jimesh Sanghvi: Sir, just one last thing if you can share the realization number for Q4?

Ashok Jain: It was about Rs.155 or thereabouts.

Jimesh Sanghvi: Fine, thank you.

Moderator: Thank you. The next question is from the line of Jankiraman from Franklin Templeton. Please go ahead.

Jankiraman: Good morning. Most of the questions have been answered, just couple of pending, one is could you tell the exact volume that you packed in Q4 in terms of tonnes of glass?

P.K Kheruka: We were producing at 450 tonnes per day and we had no stocks at the end of the quarter. In fact, I think we exhausted some opening stocks that we might have had, Ashok do you want to answer that.

Ashok Jain: Yes, so the question is that how much is the tonnage had been produced?

P.K Kheruka: No, how much has been sold, I think or produced?

Jankiraman: Or even produced Mr. Jain, so it is about 450 for the entire 90 days is it?

Ashok Jain: This is the gross production from the furnace per day. Then there are some losses in the processing and net production is about 71% to 72% of this. We sold the entire quantity that we produced and as Mr. Kheruka has said in fact the opening stock was also sold. So, there were no stock in the factory as of March 31, 2021.

Jankiraman: And Mr. Jain, when does the second furnace, when do we expect that to start production?

P.K Kheruka: Second quarter of the next financial year. It could be in July-August of next year. There is setback now because civil contractors are unable to find workers to come and stay on sites for instance. So these things are giving us some tension, some worry, but of course this would not last forever. We see the Covid cases are dropping and people cannot stay without working for too long. All the hardware we ordered. So, July perhaps next year.

Jankiraman: And where the bulk of the machinery comes from?

P.K Kheruka: They are coming from around the world. I mean mostly the glass manufacturing equipment is sourced from West Europe. Some of the processing equipment comes from China, but most of it comes from West Europe.

Jankiraman: And on the proposed 1000 TPD expansion will that also happen at the same site?

P.K Kheruka: Yes, as of now that is the plan to have it on the same site. We have plenty of land and all the services are available. So, it is being conceived over there.

Jankiraman: Got it, Mr. Jain just one data point, again sorry to harp on this pricing, so 155 was the approximate realization in Q4, now it is 115 and what was the approximate realization in the December quarter that Q3?

Ashok Jain: It was about 106.

Jankiraman: Fair enough. Thank you.

Moderator: Thank you. The next question is from the line of Tarun Mittal from Banyan Capital. Please go ahead.

Tarun Mittal: Thank you for taking my question. I just was looking at the numbers that the management has presented just now, so as you rightly mentioned that you have 26% of exports and from this 2.5 gigawatt of glass that you just mentioned that you were supplying so of this I believe 1.85 approximately is going to the domestic market am I right in quoting that, Sir?

Ashok Jain: Yes, that is right. Actually about 15% is the exports to outside countries. When we quote the figure for exports it includes sales to SEZs. That number then comes to 21% to 22%.

Tarun Mittal: Sir, it would be correct to say that we have around and about 50% market share when it comes to just 4 gigawatt of utilization that the domestic industry saw last year?

Ashok Jain: Yes, thereabouts, 50% or so.

Tarun Mittal: I see and since we are planning to expand multifold in the coming year and the corresponding industry from which you source raw material, that industry has almost nil planned expansion for capacity so do you see any issue in sourcing of raw material in the coming year?

Ashok Jain: No, I think this issue has been discussed. We do not foresee any difficulty in getting all the raw materials including soda ash. In fact, there are opportunities to import also and domestic producers are also happy to supply soda ash to us, so we do not find it challenging.

Tarun Mittal: I see. Thank you so much.

Moderator: Thank you. The next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Sir, congratulations on your numbers. I have a question given effectively the kind of profitability that we have and ROCE and ROE just wanted to understand do we have a strong argument in case that we can make for Anti dumping continuing into the future especially given effectively ultimately it impacts the price of solar power at the end of the day, so do we see enough of an argument, we have seen in cases like soda ash, etc., where effectively if the Government has not been too keen to extend Anti dumping on products, which actually has inflationary impact on the downstream industries ultimately?

Ashok Jain: In terms of solar glass, the prices were hovering around Rs.100 per square meter for all these years and it is only in the last quarter that is Q4, the prices ran up because of Chinese extra requirement. The earlier prices have largely come back. The ROCE or ROE generated in the last year or more particularly the last quarter cannot sustain or be used to guide the government on deciding on whether the industry should be protected from the dumping or not. It will all depend on how the Ministry looks at it. We are confident that the way things are happening around the Chinese capacity expansion and other things on the basis of likelihood of dumping, which are generally the case in the sunset clauses, the dumping margin could be allowed by the government and duty can be continued. Even in European Union the same thing happened and the duty had been continued for 5 years last year.

Ritesh Gandhi: Got it, thanks and the other question is with regards to soda ash, which is obviously a large RM you know we are hearing from some of the players that there is over tightness. So a sure availability between imports and domestic could be there, but are you seeing the prices inching upwards and given global capacity effectively is reasonably flat and the market is going at 2% to

3% are seeing potential tightness and in turn do you think we will be able to actually pass that on to our customers?

P.K Kheruka: I would like to break in here and say that in terms of global capacity there is perhaps a larger source of soda ash is ANSAC that is American Natural Soda Ash Corporation, these are five companies who have come together and they harvest soda ash from the surface and that is like mining soda ash from the surface and they have enormous capacity, so if you deploy more collecting vehicles, payloads, dumpers or whatever excavators, you will get more soda ash, so I would say that the production of soda ash as such in terms of capacity is simply not a constraint. If the world wants 150% more soda ash in the next year they will get it without any problem and the availability of the soda ash in large volumes the moment that there is a concerted extra demand that is going to be there for the foreseeable future, then the production from ANSAC will rise.

Ritesh Gandhi: Collectively it is viable because from my understanding at the given freight cost effectively it is not a commodity, which ideally you can excessively import because it is expensive and only the excess capacity is ultimately imported.

P.K Kheruka: You see the high freight rate today is a sort of again a feature of a bottleneck, we have some exorbitant freight rate today, but that is something that is not going to be there going forward. I cannot see that happening because it is not as if the world demand for freight has suddenly doubled all together, it is bottled up demand, which has been suddenly dumped on to the suppliers in the near term and we have seen expansion, but I have been for around so many decades now I have seen freight rates fluctuate from high to low just like a wave, the peak of the wave to the trough of the wave very, very close behind, so we see the pricing of soda ash to be reasonably flatfish in the near term. We are importing soda ash all the way until 2020, the bulk of our consumption has been from imported soda ash, so the freight rate has not been an issue at all in fact the imported prices have been cheaper than the domestic price, which is the reason why we have imported it in the first place.

Ritesh Gandhi: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Abhimanyu Thakker from Kriis Portfolio. Please go ahead.

Abhimanyu Thakker: Thank you for the opportunity and congratulations on a great set of numbers. Sir, I had just two questions, pardon if it is a repeat, like what could be the price and volume mix split year-on-year if you can just explain, you have seen price rise and they have already come back to some earlier level, so just wanted to gauge what has been the volume growth this quarter year-on-year and compared to the last year similar quarter?

P.K Kheruka: Ashok can you please?

Ashok Jain: Yes, actually the most part of the increase in the profitability in Q4 over last year's Q4 has been incrementally because of the prices and certain small portion has been because of the volume so that is the phenomena, which has happened in the particular quarter, but yes, we have been improving our production and the volumes every quarter and even the physical performance of the production has been rising steadily, but price has been the major contributor to the extent of more than 80% to 85% in the quarter.

Abhimanyu Thakker: Got it and the second thing in the last quarter we had talked about an international player tie up and probably producing some components with us any update or can you throw some light on that?

Ashok Jain: Sorry, can you clarify what this talk is regarding what component?

Abhimanyu Thakker: I was actually going through the last quarter notes I came across a point wherein they mentioned an international player coming in who wants to partner in and produce some components so just wanted to?

P.K Kheruka: Yes, there were some talk about that, but at the moment because of the expansion we are doing and also the corona situation, etc., that matter is a little bit in cold storage.

Abhimanyu Thakker: Got it and Sir, lastly considering the raw material prices have increased and all, any ballpark estimate like what would be the capex, increase in the capex probably we are expecting in relative or percentage comes?

P.K Kheruka: We are working on that and I think by the time it is time for us to have the next quarterly call, we should have a much better handle on that.

Abhimanyu Thakker: Got it. Thank you so much, Sir. Wish you all the luck and all the best.

Moderator: Thank you. The next question is from the line of Kandababu Naidu from ESI Investment. Please go ahead.

Kandababu Naidu: Congrats for the great set of numbers, so I just actually really curious to understand so with respect to the expansion that we have do we see a lot of that coming in by contract the local players or do we expect export to play a role in there and the other question that I had was with respect to traction on the exports and local players the contracts that we have we see difference in the pricing of exports and local contract?

P.K Kheruka: I am sorry, I could not get the first question properly, could you repeat that first question?

Kandababu Naidu: With respect to the expansion that we are doing about 500 tonnes more within the next 4 quarters and another 500 following that in another year would that a lot of that coming from local opportunities or it would be exports as well?

P.K Kheruka: It would be a mix of both because we do have presence in the export market, which is important to us because in that way we keep in touch with the world production, world quality, world demand performance everything and so we always keep a strong presence in the export market across different geographies, which is going to continue. There is indeed very strong demand internationally for sources of solar glass, which originate from outside China and so people want to have contracts with people like us who are non-Chinese owned and non-China located.

Kandababu Naidu: And with respect to the pricing of exports?

P.K Kheruka: The pricing is concerned there are a few players who operate in these markets and the prices are set by those people because we are not dominant players there so we follow those prices, which are typically a little better than prices, which are prevalent here usually.

Kandababu Naidu: And just I want the followup if I may with respect to the again the Anti dumping duty, so as you mentioned the people are looking for sources other than China, do we have any duties or Anti dumping related in these markets too?

P.K Kheruka: As I said the Anti dumping duty about which we are aware of is in the European Union and there we get the benefit of that so to speak because the domestic producer there keeps his prices on the basis of Anti dumping duty and so we are able to export at a reasonable rate. There are other players in other markets, they would just buy from us at negotiated prices. So, I suppose that people just want to have two suppliers on hand and that is why we are there.

Kandababu Naidu: Got it. Thank you.

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

Jay Shah: Congratulations on a wonderful set of numbers like it is delightful for us investors seeing the company grow. Almost all my questions have been answered, just one question, I have been in talks with the lot of promoters based in Gujarat like solar module manufacturing promoters they said that in the near term they are seeing a lot pressure since the solar power projects are getting delayed big time, so what is your outlook for a near term, do you think that the domestic market is going to slow down and would we sell more towards the export markets and also second question, you said that the realization has come down is that because you mentioned earlier in the call that China is going to restart their plant capacity by June so has that already happened?

Ashok Jain: Yes, so there have been delays in the solar projects because of many reasons and the second wave is the most recent one to add to those reasons. There had been certain amount of uncertainty on the projects because of the poor availability of labor for installations given the spread of Covid. Before the beginning of the quarter the estimates were that almost 9 gigawatts instiallations will take place in 2021-2022, but we have to see how we can ramp up in the remaining part of the year and how the corona second wave behaves. As far as the pricing of the materials are concerned we have already said that the component prices have corrected, but it has not happened across the board like the solar cell prices are still going up, the module prices are not going down anywhere. So, there has been a mix of trends. As far as we are concerned the solar glass prices have actually gone down and with the time lag of about a month we have been asked to adjust to the reality on the prices. So, the prices have corrected in the current financial year.

Jay Shah: And has China started their additional capacity?

Ashok Jain: There is varied data floating on Chinese plant and capacity additions. In the beginning of 2019-2020 they had about 20000 tonne capacity and now we are told that they have 28000 tonne capacity and there is about 15000 to 16000 tonnes capacities to be added in 2021 and 2022. Their new capacitates are coming on stream almost every 2 to 3 months. I do not have update on whether the capacities are getting delayed or not, but there is an ability to adjust the timing of the capacity addition depending on the market situation. The current fall in the prices is not because of higher quanitity of solar glass production taking place, it is because the demand for projects has also come down in China significantly in April and May. There is no policy direction as of now. The Chinese government generally provides policy direction after the end of May so we will have to see whether in June it starts getting any traction and a large scale and on a rapid basis or not.

Jay Shah: So, from what I understand is the capacity come in the next 2 months shall we expect a further fall in the glass prices if the capacity increases and demand is not there as much?

Ashok Jain: See, based on the projections given by various agencies around the world the glass supply is not likely to be in surplus in calender 2021, because the demand is going to be very high for the modules. The installations, which were projected was more than 160 gigawatts as compared to 110 to 115 gigawatt in last year. So, correspondingly you need all the components including glass. In fact, if the demand for the modules stays on course the glass is not going to be surplus. Should there be any mismatch, there can be some disturbances in the prices. What we see now is that the prices are at the lowest in the last 5 years. So, we do not expect prices to indefinitely go down. There is a certain cost of running a solar glass plant and anybody who is running a solar glass plant will not just do it for the sake of running it. Many of these large companies who are producing significant amount of glass are listed companies. They will not like to jeopardize all their profitability and they will like to correct the situation whenever it is required.

Jay Shah: Correct, alright. Thank you so much and good luck.

Moderator: Thank you. Ladies and gentlemen, this will be the last question that is from the line of Vedash Agarwal an Individual Investor. Please go ahead.

Vedash Agarwal: Thanks for giving the opportunity. I had one question, basically on the countervailing duties that has been levied, I was just trying to understand in the last quarter while I understand the pricing played a major role in maintaining our EBITDA margin, but in a hypothetical situation this countervailing duty were to get removed tomorrow whatever be the operational prices that which may be the Chinese player can function what would be our margin that we can expect and also the fact that the ramp up in the capacities that we are doing would that lead us to get a benefit of scale and reduce our cost a bit so that the margins can be protected to a certain extent, so if you can give some flavor on that, that will be great?

Ashok Jain: Just to answer your question on the CVD front, the CVD has been announced on March 12, 2021, but what has actually happened is that the Malaysian imports have come down significantly in the current financial year. The Malaysian factories are probably supplying to some other locations or other customers. Almost 80% to 90% of the glass being offered to India is offered by Chinese companies against whom there is Anti dumping duty existing right now. So, the CVD in fact has not been a major factor in determining the current prices. The current prices are determined with the help of the landed coast considering Anti dumping duty on Chinese imports. Regarding the margin fluctuation on account of removal of CVD, CVD is there for 5 years, we should not assume CVD is not there or will not be there for the next 4 to 5 years. However, if we have to exclude the 9.71% CVD impact, the prices will not be any different than what they are today in terms of our offer because the imports are mainly from China now.

Vedash Agarwal: And how would that impact if the new capacity come up, how much would be able to reduce our per unit cost and then irrespective of ADD how much can we benefit in terms of margins?

Ashok Jain: The impact of the expansion will be largely felt in the overheads in the wages cost or employees cost as these overheads are spread over the larger production. In terms of the inputs and other sourcing there will be marginal savings because of the ability to bargain better because of the volume. We expect 3% to 4% expansion in the margin on an account of this control in the overheads going forward.

Vedanta Agarwal: Got it, that is it from my side. Thanks for that.

P.K Kheruka: Thank you very much ladies and gentlemen for your questions and I look forward to meeting you again next quarter when we are ready with our results for the ongoing quarter.

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