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July 24, 2020

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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 July 17, 2020.

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
Conference Call

July 17, 2020

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MANAGEMENT:	**MR. PRADEEP KHERUKA – CHAIRMAN – BOROSIL RENEWABLES** **MR. ASHOK JAIN – WHOLE TIME DIRECTOR - BOROSIL RENEWABLES** **MR. SUNIL ROONGTA - CHIEF FINANCIAL OFFICER - BOROSIL RENEWABLES** **MR. RAJESH CHAUDHARI - BOROSIL RENEWABLES**

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Moderator: Ladies and gentlemen and welcome to the Borosil Renewables Limited Conference call hosted by Edelweiss Broking 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. Praveen Sahay from Edelweiss Broking Limited. Thank you and over to you Sir!

Praveen Sahaj: Thank you Aisha. Good morning everyone. Thank you for joining to the earnings call of Borosil Renewables Limited. On a behalf of Edelweiss Broking, I would like to welcome the management team of Borosil Renewables to discuss the results and the way forward. We have with us Mr. Pradeep Kheruka, Chairman, Mr. Ashok Jain, Whole Time director, Mr. Sunil Roongta, Chief Financial Officer and Mr. Rajesh Chaudhari. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for Q&A. Over to you, Sir.

Pradeep Kheruka: Thank you. Good morning and welcome to the Borosil Renewables Financial Year 2020 Investor call. This happens to be the first call after implementation of the composite scheme of merger and amalgamation and change of name. Thank you for joining me and my colleagues. We are glad to be interacting with you again. Hope all of you and your near and dear ones have been safe and healthy in these pandemic times. We have been working from home since March 22, 2020. Unfortunately, Mumbai has been one of the most impacted cities by the Coronavirus. We have not yet reopened our head office in Mumbai and will take a call on the same as and when permitted by authorities, however, the factory has been operating from the middle year of April after being shut down for nearly a month and sales are taking place. Borosil Renewable announced its financial results for the financial year ended March 31, 2020 on 26th June 2020. We have updated the investor presentation and uploaded it on our company website and that of the stock exchanges.

The key internal development since we interacted over the last investor call has been the implementation of the composite scheme of amalgamation and arrangement. As most of you are aware the Scientific and Industrial Products Division and the Consumer Products Division of the company have got demerged into Borosil Limited erstwhile Hopewell Tableware Limited. In addition the business of Vyline Glass Works Limited has also got demerged into Borosil Limited. Borosil Technologies and Klasspack limited have become subsidiaries of Borosil Limited. Borosil Renewables now houses the solar glass business. It stands separate from Borosil Limited which owns neither equity nor preference shares in Borosil Renewables.

The discussions of business going forward will relate to solar glass. The company shares continue to trade on the NSE and BSE. The issued equity capital is Rs.11.41 Crores shares

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of a face value of Rs.1 each. After the restructuring, the promoter group owns 70.5% of the equity reduced from 72.85% prior to the scheme.

The big discontinuity that has impacted everyone around the world is the spread of the COVID-19 pandemic and responses from different governments, businesses and individuals. India imposed one of the most stringent lockdowns in the world, which we have naturally complied with. After operating two furnaces alternately, finally both the furnaces are now into production from around the June 15, 2020 and are working at nearly full capacity. The impact of COVID-19 has been severe on our operations. Likewise, the plants of our customers remained closed from the last fortnight of March 2020 and started to open up gradually, once the guidelines were relaxed. Solar installation activity was halted which forced our customers to go slow on production and hold back fresh purchases. Accordingly, sales from the end of March until end of April were just nominal. Order flows from May started to improve.

However, selling prices came under severe pressure due to steep discounts offered by exporters from Malaysia and China. The company had no alternative, but to suitably adjust its prices downwards on a need basis and secure orders. Solar installation activity, which was impacted badly due to shortage of manpower has begun to come back gradually. The company has a pipeline of orders to be serviced and its sales are now closer to the normal levels. Exports have also been at normal levels. However, we have to be prepared for some volatility in demand during financial year 2021 as the situation with regard to managing the pandemic around the world evolves.

Office work and sales are being conducted smoothly as arrangements were made for the teams to function from home. We have constituted a steering committee to oversee all functions of the company to ensure compliance and to respond appropriately to the evolving situation.

I would now like to touch upon the highlights of the company's performance and other developments.

Revenue during the last quarter of the last financial year increased to Rs.94.3 Crores as compared to Rs.62.1 Crores in the corresponding quarter in financial year 2019. The corresponding EBITDA was Rs.21.2 Crores as against Rs.9.5 Crores for the previous period. A better product mix, improved net sales realization by about 3%. As you are aware the company underwent a Brownfield expansion and the second line SG2 went into commercial production in the beginning of August 2019 with a capacity of 240 tonnes per day. Soon after, the first furnace SG-1 was shut for a complete rebuild in the middle of August 2019. This was recommissioned in the beginning of December 2019. Thus, the company began operating with both furnaces from sometime in December 2019 and we are happy to say that we could sell the entire volumes. Unfortunately, this performance of

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enhanced capacity of 450 times per day was halted by the COVID induced lockdown mid March. We could not see even one full quarter with operations from both furnaces. The company lost sales of about Rs.10 Crores to Rs.12 Crores in Q4 financial year 2020 due to lockdown with corresponding impact on EBITDA.

Revenue during financial year 2020 was about Rs.271 Crores a growth of 25.1% over the previous year. Net sales realization during financial year 2020 came under pressure owing to cheap imports from China and Malaysia. While India has imposed antidumping duties on imports of solar glass from China, no anti-dumping duty has been imposed on imports of Malaysia. As a result Chinese manufacturers have been using production from Malaysia to export solar glass to India at low prices. As per the data available, the imports from Malaysia by module manufacturers and domestic tariff area in India are now close to 90% of the overall imports. A good part of our supplies to few large customers who import from China and Malaysia had to be made at lower prices to match these cheap imports. Countervailing duties against Malaysia are required to take care of low landed cost. Average realization per tonne during Financial year 2020 declined by about 7.5% as compared to financial year 2019.

As we had discussed in our earlier interactions, the company's old furnace SG-1 was being operated on an extended life. It was operated at reduced efficiency levels during the first half of the financial year ended March 2020. This led to lower production over which to absorb overheads as well as lower material yields. This also impacted margins particularly in the first half of the financial year. Compressed sales realizations and the lower operating efficiency in SG-1 during the first half of financial year 2020 led to a decline in EBITDA margins from 19.3% in financial year 2019 to 14.8% in financial year 2020. The company recorded a profit before tax of Rs.1.3 Crores and a profit after tax of Rs.0.5 Crores during financial year 2020. These figures are abnormally low. As I explained earlier, EBITDA margin was lower. Besides the company also had a high level of interest and depreciation related to the Brownfield capacity expansion. Production and revenues from both the furnaces were available only from December 2019 before again getting impacted from March 22, 2020 due to lockdown.

The good news is that our business has started to return to normal sooner than feared and the company has started to sell its entire production. Operational efficiency of both the furnaces is getting optimized. We expect the selling prices to recover gradually as uncertainty and anxiety gets over in the next few months. With both these happening, the EBITDA margins are expected to return to normal levels in the coming quarters. The company would aim to have a judicious mix of customers so as to maintain healthy margins.

Borosil Renewables had innovated to produce the world's first two millimeter fully tempered solar glass. The exports of two millimeter are growing. Sale of glasses of lower thicknesses of 2.5 mm and 2.8 mm is gaining traction owing to the lower cost of ownership July 17, 2020 they provide to solar power developers. The thinner glass can be used in glass-glass modules where the power generation can be higher by 10% to 15%. It also helps to enhance the life of the module to about 40 years as against 25 years in conventional modules. About 20% of the company sales in financial year 2020 came from glass of lower than the conventional 3.2 mm thickness. The company successfully produced other innovative products such as anti-glare solar glass that is becoming mandatory in installations near airports and got necessary certifications from international agency. We expect this to pick up as new airports come up.

I will not dwell upon the major announcement affecting the solar power industry as per indications from the government. There is a strong possibility of imposition of basic customs duty on imports of solar cells and modules at 20% to 25% from August 1, 2020 which is likely to be raised further in the next year. The current safeguard duty may lapse after July 2020. We will have to wait for the exact announcements in this regard. The government under the PM Kusum scheme decided to provide two million farmers to set up standalone solar agricultural pumps and targets 1.5 million farmers to set up grid-connected pumps. Under the program farmers with barren lands would be able to generate solar power to sell to the grid. A 3-gigawatt solar capacity is proposed to be developed on the railway land owned by the Indian Railways. Tenders for two-gigawatt have been issued and balance one gigawatt is being issued. Various state governments have accelerated the residential rooftop projects. The manufacturing linked tender for 6 gigawatts issued by SECI has finally got over subscribed with bids of seven gigawatts after the purchase price was raised. The successful bidders have announced plans to set up manufacturing capacities of three gigawatts of solar cell and modules in the country. There will be substantial additional glass demand for this. We have already started discussions with the successful bidders who happen to be our existing customers.

The government's call for Aatmanirbhar Bharat and reducing imports augurs well for the company as module manufacturing in India will increase. The customers have already started to prefer domestic source of components including solar glass to support localization and also owing to growing sentiments against imports from China and logistics issues so that the production lines do not get shut for want of components in case of any further deterioration in the geopolitical situation.

The past few months experienced inventory excess in the industry with lower demand owing to cessation of activity during the lockdown. In the near-term, the company will have to brace itself for volatility in demand. However, the medium to long-term prospects for solar energy and its consequent demand for solar glass are likely to be very strong. Of the new capacity additions worldwide in power generation, the share of solar is the highest. The company is well positioned as the only solar glass manufacturer in India. We believe that not only will we be able to sell out our current capacity of 450 tonnes per day, but there is

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room for further expansion of capacity. The current domestic demand supports further capacity and a lot of new demand is expected to be generated as mentioned earlier. The company's board has already approved further expansion with a capacity of up to 500 tonnes per day, which would be sufficient to manufacture solar panels of 2.5 gigawatts.

That is a summary of our performance and developments during financial year 2020. With that background I would now welcome questions from you. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Navin Bothra, an Individual Investor. Please go ahead.

Navin: My first question is regarding the existing capacity of the SG-1 and SG-2 for 210 and 210 that comes to 420 metric tonnes per annum. In the investor presentation as well as in your introductory you said it is 450 metric tonnes per annum. Can you clarify on this?

Pradeep Kheruka: So, actually when we purchased the SG-2 plant from the vendor, they are conservative and they give us certain figure in their offer which was 210 tonnes. However, as we speak, we are operating the furnace at 240 tonnes, which was informally discussed with the furnace designer. Look you should be drawing 240 tonnes from this. So that is why since we have established an output of 240 tonnes on a continuous basis, we are calling it 240 tonnes and we expect similar things from SG-1 after rebuilt that instead of 210 tonnes, it could be going to 220 to 230 we do not know yet. For the time being, we are calling it for 450 tonnes, which is the production we are actually physically achieving today.

Navin: That is very great and my second question regarding Sir power and fuel expenses in the last five years have increased from 15% in March 2015 to 20% this year. So, are we planning any measures to reduce the power and fuel expense in the overall sales ratio?

Pradeep Kheruka: Actually this year, the financial year 2020, has seen inefficient production from SG-1 and the first six months you can say virtually from March of 2019 until the furnace was shut down in August, it was consuming much more fuel than was expected or that was required and there was correspondingly virtually no output or the output was very less. Therefore that consumption has been absorbed over the amount of glass that was actually manufactured. We expect that fuel consumption should go back to the previous figure or lower because the new furnace is very efficient. In fact, SG-2 is more efficient than SG-1 was.

Navin: We expect it to come to around 18% to 19%?

Pradeep Kheruka: I cannot make any quantitative comments on that right now but I do expect that fuel consumption will be economical in terms of the units of consumption. See in the last quarter, which we have seen from April to June about which this call is not being discussed but as is publicly known, the price of petroleum natural gas has dropped significantly. So, from a cost perspective, it is probably even much lower, but these are fluctuating things and we are always looking at kilo calories consumed per kilogram of glass melted. That is the benchmark for the company.

Navin: So currently we are getting the full benefits of the decline in international prices of gas and crude.

Pradeep Kheruka: Yes.

Navin: That is good Sir. My couple of questions regarding the new expansion plan if you can throw more light on that and the financial plan regarding the debt and equity.

Pradeep Kheruka: You see all options are open. As I mentioned in my opening comments, we did not even see the full quarter when both furnaces are functioning. Now, the lay of the land is beginning to look, what I say is, optimistic. However, we do not know how the markets are going to respond. We have not made up our minds regarding the mode of financing, debt, equity, rights whatever. Everything is open and everything is up for consideration by the company.

Navin: In the next board meeting we will get more clarity on all this?

Pradeep Kheruka: It might not even be the next board meeting. It might be further down. We are working very hard on preparing the entire groundwork for the next expansion and this will come up in due time. It might six months before we take a final call.

Navin: Couple of questions in your opening remarks you said the opportunity side is getting bigger and bigger in the solar glasses space. So, seeing the opportunity do you see any other competitor planning to enter in this solar glass business?

Pradeep Kheruka: You see India is a free country and there are people with so much money all over the place. Who comes in is completely open, we simply cannot hazard a guess on this. I do believe that manufacturer of solar glass is unusual and different as compared to normal glass. So here we have the best numbers, in terms of efficiencies and in terms of norms. We far outperform everybody else in the world. We probably have the lowest cost operation in the world in terms of consumption of units for units of output. In the past, people have had the idea of making solar glass furnaces, but they have backed off after that. So, I do not know. We are not stopping our expansion projections and we are devoted completely to growing the business.

Navin: So right now, we are not seeing any other competitor in this area?

Pradeep Kheruka: At least nobody has announced or nobody is visible.

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Navin: And at the last concall and before that there were some discussions about looking into new products and services in renewable energy space. Can you throw more light on the plans?

Pradeep Kheruka: See actually what has happened is after the middle of March everything has gone on hold. Nobody knows what to expect regarding availability on the supply side and demand side. Everything has gone into complete disarray. At the moment the only thing we know is the glass business that we already know completely. We can see that after this geopolitical problem, which we have experienced from April onwards this is continuing till today and there has been a very major shift in the government's approach regarding solar power. I think there is an extremely strong signal from the top that India has to be self-sufficient in the means for generating of solar power. Earlier there was a kind of a relaxed attitude by the government in terms of promoting Indian industry, but now there is a very deep-rooted seriousness about Indian industry. So, the solar glass business itself is apparently offering lot of opportunities and that is where we are focused on.

Navin: Currently our focus will be on this solar glass?

Pradeep Kheruka: That is right.

Navin: Thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: First wanted to understand what would have been the capacity utilization for FY2020 in Q4 whichever in tonnes per day or whichever way you can help us. In your opening comments you said that margins are lower because of realignment of the furnaces inefficient furnace plus initially lower usage. So, that comment was with respect to full year. What I wanted to clarify because your Q4 margin after the furnaces being operational is a lot different from what it is in the past and for FY2020 as well. So, some comments if you could give on the margin side also will be useful?

Pradeep Kheruka: See the Q4 of financial year 20, is the only quarter in which we can see some semblance of what the future might look like.. So, for the days that we were operating at full capacity, I mean literally there was no glass in the factory. We were producing and we were shipping everything and in fact there was a huge demand at that time. The COVID crisis came and then the lockdown. In the first couple of weeks in January also I cannot say that we were operating at full Doubling the capacity overnight is not a joke and once we started producing all the glass from December onwards, everything had to get tuned up in terms of the work force and in terms of so many different things. So yes, we were in full operation for most of the January-March 2020 quarter. Once again, we find that we are going ahead at full stream, right now in the current month of July we are having a high production. We are

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coming to nearly the top of our capacities. You are right in the total year 2019-2020, the first six months and more so the first quarter, April to June, was probably the worst quarter we have ever had after solar glass started because we had very little production. In June 2019, we started trial production from the new furnace. So, July was also spent in trial production. In August we shutdown the first line, so pretty much until December we had all the expenses but we did not have all the revenue. In fact, we had very little revenue in that period and so that is why this financial year 2019-2020, the whole year is certainly not a benchmark for the future at all. The only thing that can throw some light on the future would be the results from the fourth quarter of FY20. That should give an indication about what it might be like. Once again, I want to clarify that the first quarter of this current financial year has also been very severely impacted because of COVID. So, all of April had hardly any sale at all. In May and June, we started selling a little bit. It is only in the last two weeks of June that we started operating both furnaces normally.

Pritesh Chheda: Which means what you report for quarter two as margin would have some upside because of full utilization without any breakdowns right…

Pradeep Kheruka: And also, quarter four is subject to upside, yes.

Pritesh Chheda: Yes, and lower gas prices as well right?

Pradeep Kheruka: Yes. Lower gas, lower energy cost and there is another thing. There was a renewable energy manufacturing conference yesterday, all India, all done on the internet, and there Mr. Anurag Thakur seemed to give some indication that 20% basic custom duty is likely to be imposed on imports of solar cells and modules from the August 1, 2020. Whether glasses will be included in that is something that only time will tell. I do not know if that is there or not but even through modules being made in India that brings a lot of robust demand for our product. Once the demand is there, then we are better placed to meet the demand being in India, and having a short supply lead time etc. It is good for us.

Pritesh Chheda: For us, gas is the bulk of the energy cost?

Pradeep Kheruka: In terms of energy cost, electricity and power are both very important, so we are also looking at investing certain amount of money for several megawatts of solar power generation as well. Maybe in the next two weeks or three weeks we should be finalizing plan, which should also bring our energy consumption cost down significantly.

Pritesh Chheda: Lastly on the peak utilization when your peak utilization of 450 tonnes which is your capacity, what kind of revenues is possible at that 450 tonnes because the revenue numbers for us swings a lot, when we were 240 tonnes per day capacity that time also we saw 100 Crores type revenue and when your expanded capacity what should be the revenue…

Pradeep Kheruka: INR 37 Crores or so monthly, it could be anything between 37 and 45 Crores.

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Pritesh Chheda: Monthly?

Pradeep Kheruka: Monthly.

Pritesh Chheda: Okay and your 50 tonne extra capacity when you put in what is the capex you will need there?

Pradeep Kheruka: Not 50 tonne, 500 tonnes.

Pritesh Chheda: Okay that is 500, so 450 will double to 950?

Pradeep Kheruka: Yes. We were at 180 tonnes. From 180 we rebuild to 210 and we have put in a new furnace which is giving us 240 TPD. So, that is about 450 tonnes all together. Now we are looking at another 500 TPD. So, in case the 500 comes up, that will more than be quadruple our original furnace.

Pritesh Chheda: So SG1 is 210 right and SG2 you said is 240?

Pradeep Kheruka: Yes.

Pritesh Chheda: This 500 which is a completely new furnace, comes at what capex?

Pradeep Kheruka: Capex, it would be unfair to give a proper number today because we are brownfield and in certain cases, with SG2 we were able to take a lot of advantage from the existing infrastructure. For the new one we will have to work out in detail and there is no point in throwing numbers off the cuff.

Pritesh Chheda: So it will be Greenfield this 500?

Pradeep Kheruka: No. It is not Greenfield, still brownfield. It is still brownfield but there were many utilities, which we were able to use in the case of the second furnace and we will continue to use many of these utilities in the future also, but some new costs will have to be incurred for utility.

Pritesh Chheda: But any best educated guess you would want to put on the…

Pradeep Kheruka: It is not fair for me to say anything because I have not shared with the board of directors so I cannot tell you anything.

Pritesh Chheda: No problems and when should you be able to use existing capacity? Should we able to use fully by quarter…

Pradeep Kheruka: It is pretty much being used now.

Pritesh Chheda: Okay. It is pretty much being used.

Pradeep Kheruka: Yes. We are having a very good flow of orders, we are having a good flow of business. We are not waiting for orders. We are getting orders and shipping.

Pritesh Chheda: Perfect Sir.

Pradeep Kheruka: Everything is normal and we get paid on time, we do not have any old outstandings and all that. So, it is business as usual actually. We are blessed by God that we have escaped corona virus by and large in the production I mean so far. So, we are very fortunate.

Pritesh Chheda: Thank you.

Moderator: Thank you. The next question is from the line of Nishit Shah from Aequitas Investment. Please go ahead.

Nishit Shah: Good morning Sir. Sir actually I am new to this company so I just wanted to understand in brief, what exactly is this solar glass used in terms of let's say for your solar modules?

Pradeep Kheruka: Okay. Let me answer this question. You see all solar modules we generate power from are made on solar glass. So, solar glass is the substrate on which the entire module is laid out and becomes effective. Without the glass, there is no module because the solar cells are wafers which are very thin and very fragile 0.2 mm thick only, and ordinary glass cannot be used for solar modules because they absorb too much of sunlight. So, this solar glass is a very high performance, low iron, high light transmission glass, which is a very specialized glass that only we make in India.

Nishit Shah: Okay. Thank you for the explanation and Sir I wanted to understand who would be our top customers, let say if you can name top three customers?

Pradeep Kheruka: There are about 250 customers in India and I would say that probably 95% of them buy from us. I can tell you the names of the largest module manufactures in India, there is Waaree, Adani and there is Tata and there is company called Emvee in Bangalore, a company called Vikram Solar in Bengal, so these are just five names, but there are 250 names there.

Nishit Shah: Okay and there are no competitors for us in India yet right?

Pradeep Kheruka: No. But the competition is there from China and Malaysia.

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Nishit Shah: Yes. So Sir in your opening remarks, you said some duty on Malaysia, so I could not get that clearly, so is there any duty on import?

Pradeep Kheruka: There is no anti-dumping duty on import from Malaysia currently. I was saying that gives us trouble in the pricing. So our prices get depressed when there is a lot of competition coming from Malaysia., We have been applying because according to the WTO norms, there should be anti-dumping duty or countervailing duty on imports on Malaysia for which an application is pending and we will have to wait for the outcome.

Nishit Shah: Okay and Sir there are some news articles that Adani and Renew Power are looking for solar cells and modules facilities in India. So that would be completely different, so they would not be looking at glass per se right?

Pradeep Kheruka: At the moment, Adani already has the manufacturing capability for cell and module, they have two gigawatts of module manufacturing. As far as Renew is concerned, for them this should be a new venture, but they are not looking at glass. They are looking at the module line, and the cell line also but not at glass.

Nishit Shah: Okay.

Pradeep Kheruka: They would be a customer, potential customer for us.

Nishit Shah: Okay so that would benefit us.

Pradeep Kheruka: Yes.

Nishit Shah: Okay and Sir I wanted to understand in terms of imports, so competition has come from China and Malaysia, so what would be the price difference and the quality difference from there?

Pradeep Kheruka: The quality is similar and the price is very dynamic. By and large there is an anti-dumping duty that we were able to obtain on imports from China., At the moment when China is exporting to the SEZ company, no duties are being paid by them for that import. And when they clear the module also no duties have been paid. But I am told that Government is going to come out with some clarifications and some amendments to the SEZ act whereby any import duty which is leviable on glass imported into domestic tariff area will be charged on clearance of modules from the SEZ into domestic tariff area. So, they have an unfair advantage today, which will seize after this amendment comes into play.

Moderator: Thank you. The next question is from the line of Dipan Mehta from Elixir Equity. Please go ahead.

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Dipan Mehta: Yes Sir. Good morning and congratulations on the successful commissioning. My question is that are we are not globally competitive because if you require government support from time to time, then obviously we are not globally competitive and only when there are custom duties and physical import restrictions will we be able to generate a decent return on investment. So, can you just throw some light on your global competitiveness and if Malaysia imports are going to affect us so much then what is the point of adding capacity, we can add in Malaysia only?

Pradeep Kheruka: To answer your question, yes, we are indeed globally competitive. We are exporting 25 to 30% of our output to European countries where they have local manufacturing in Europe and there we are definitely competitive, the thing with solar glass tempered imports is that it is subsidized by the Government of China. They get as high as 21% subsidy when they export solar tempered glass and that is what causes the price to be lower than us, though the cost is higher than us. As I mentioned in my opening remarks, we are perhaps the most economical manufacturer of solar glass in the world in terms of consumption. It is the Chinese strategy to dominate the world market for the means of production of solar energy and therefore they subsidized it. They do not want any country in the world to have manufacturing capacities.

Dipan Mehta: That is a good answer Sir. Second question is regarding the average capacity utilization in Q4, so we assume 450 tonnes per day was operational for Q4, what would be in the average capacity utilization for Q4?

Pradeep Kheruka: About 85%.

Dipan Mehta: 85% or so.

Pradeep Kheruka: Yes.

Dipan Mehta: Last quick question Sir the doubling of capacity expected commissioning time, I know we are in uncertain times but expected commissioning time of doubling of capacity?

Pradeep Kheruka: We are internally looking at taking a call by the January 1, 2021. Our time was 14.5 months from the starting to the drawing of glass for SG2. So, if we were to follow a similar timeline, then capacity that we would decide in January 2021 would come into operation by March 2022.

Dipan Mehta: Okay. Thank you very much Sir and all the very best.

Moderator: Thank you. The next question is from the line of Raj Mahadevaiah, an Individual Investor. Please go ahead.

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Raj Mahadevaiah: Hi Mr. Kheruka. I had a couple of questions. One is regarding your raw material supply, are you fully self-sufficient within the Indian context, so are you dependent on China in anyway?

Pradeep Kheruka: We import some _sodium antimonite which comes in from Belgium for the time being, otherwise everything else is within India.

Raj Mahadevaiah: So, it is largely India plus little bit from Belgium.

Pradeep Kheruka: That is right. I mean when I am saying largely India like soda ash is a very big raw material for glass and soda ash is very sufficiently available in India, but that is an international product, so occasionally we get a better price from abroad so we import it.

Raj Mahadevaiah: But you have an Indian alternative, is it?

Pradeep Kheruka: Very strong.

Raj Mahadevaiah: Yes.

Pradeep Kheruka: It is a very large production in India.

Raj Mahadevaiah: Perfect and you mentioned in your opening remarks, the dumping from Malaysia and China, how much was that dumping because these were products that already had been shipped to India and had been sold by the distributors or were they actually being shipped from Malaysia at the time and how much of the market do these import constitute today?

Pradeep Kheruka: See the total sales that we do is – the question is about the percentage of the total market, I would say that we are catering to perhaps less than half the total demand of the country, right.

Raj Mahadevaiah: So, balance is all import…

Ashok Jain: About 35% of the country's demand is being met by us, so if we have to double our capacity, we would still be meeting 70% of the current demand.

Raj Mahadevaiah: Understood, so even in the situation where there is an import duty imposed by the government, we would essentially be import substitute and yet the local market demand even after our expansion would be greater than our capacity?

Ashok Jain: Yes. Plus new capacities are getting added. We are looking at huge expansions in capacity of modules in India..

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Raj Mahadevaiah: Right. When I look at your P&L on Q4 FY2020 versus Q4 FY2019 and I know that there is an aberration, I am just trying to get a sense of the normalized level of profitability going forward. Our revenue has jumped by roughly 32 Crores, right. Our EBITDA has gone up by roughly 12 Crores, however, our interest and depreciation has gone up also by roughly 12 Crores, which has largely the same as the increase in EBITDA and consequentially there is a minimal increase in profit after tax. so based on what you are saying at full strength of 135 Crores a quarter, the flow down in EBITDA roughly 20 odd percent would be 20% of an incremental 40 Crores which is about 8 Crores, and hence the flow down to the profit after tax should be close to 2 Crores, is that sensible?

Ashok Jain: No. Actually, the entire increase in EBITDA will flow to the profit because the depreciation is already fully charged and interest is also already fully charged. So incremental EBITDA, will translate to net profit.

Raj Mahadevaiah: Understood.

Ashok Jain: EBITDA level of 20% is not the right number to look at, we expect it to be much better than that.

Raj Mahadevaiah: Right.

Pradeep Kheruka: In the quarter ended March 2020 first of all knock out about 10 days or so from the last month from March and frankly speaking in January also the first 15 to 20 days we were still finding our feet. As I mentioned earlier doubling our capacity, it means you are handling twice the tonnage of glass that is a lot of glass to handle, to pack, to deal with, just the sheer movement of 500 tonnes a day of packed glasses is a lot. So, it has been done by workers and they need to get used to it. After about the 20th January we were in a nice flow. So even the quarter for March 2020 is not completely reflective.

Raj Mahadevaiah: Understood and in your business is it fairly working capital heavy business or do receivables come in pretty quick, do receivables match payables, you need to have a large amount of inventory of the staff or is it more just in time given the large domestic supply?

Pradeep Kheruka: We do not have a large sales inventory of glass. We make glass to order and once it is manufactured, it is shipped. We do have a large inventory of raw material, we like to keep ourselves well stocked with raw material because we just do not like the idea of disruption there, but Ashok do you have any comments on that?

Ashok Jain: Yes. So our stocks are quite low and our receivables are also under control. Our working capital requirements are very low comparatively to say the down the stream units like module manufacturing, where you have large receivables and large stocks lying with them We are certainly comfortable on this aspect.

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Raj Mahadevaiah: Okay good and large part of the inventory as Mr. Kheruka said is raw material inventory as opposed to finish goods inventory because it is more just in time type manufacturing and I am assuming receivables we try to make receivables match payables?

Ashok Jain: In fact, we do not have much payables because our working capital cycle is good and in fact our working capital facilities are hardly getting used., It is a good working capital cycle in terms of cash flow management.

Raj Mahadevaiah: I understand. I am just wondering is there room for further improvement, Mr. Ashok because if we say we do not have much payables that means we are paying people upfront for the element of sourcing whether it is soda ash or otherwise, and we still have receivables of I do not know, 40 or 50 days at the bare minimum, so my question is can we become even more working capital neutral by stretching out our payables?

Ashok Jain: Well whatever payables are there, our team ensures that we get the right prices or right discounts in terms of the money which we are paying upfront or on a shorter credit. We are not losing on that front. Whatever cost we incur on the credit we are recovering more than that.. On the cash flow on the receivable side, we have added few large customers or their volumes have increased in last six months because of our doubling capacity, but they seek some credit. So, we can probably discount this and get the money faster, but our working capital limit is not getting utilized. Incurring the discounting cost is not worthwhile. So that is where we are.

Moderator: Thank you. The next question is from the line of Rahul Kashyap from Edelweiss. Please go ahead.

Rahul Kashyap: Hi Sir. Good morning Mr. Kheruka and firstly thank you so much for that very comprehensive and precise and crisp update in the beginning. It is one of the best ones I have heard in the long time and also thank you so much Sir for the effort that you and your team are doing and running company wonderfully. That you have been doing for the last few years. I had three quick questions Sir, the first one is that given the problem that you mentioned of China and Malaysia and given the fact that this solar is the talk of the town both in India and globally, is there some sort of coming together of generators, distributors, ancillary unit, etc., and working with the government to almost make solar the next big thing coming out of India just like the IT industry came in the 1990s. That is an opportunity for the government as well because it is also looking for something big after IT and pharma to put India on the global scale and given the fact that the Government of India does not seem to be very fond of Malaysia anyway currently.

Pradeep Kheruka: You are breaking up quite a lot. But I think I have got the meaning of your query and the answer to that is we have been well positioned for solar for the last five years. However, the government has not really understood that and the government has not acted on that, but that seems to be in the past and it seems to be now coming forward. The government has July 17, 2020 woken up to this thing and all that you say is true. We have been hammered down by these cheap imports from China, which have all been subsidized by the way and if we get suitable tariff protection and the Indian industry is able to flourish then we could become like automotive components. Today India is a key player in the world for automotive components and could absolutely become the next big thing after IT and after pharma. I agree with you.

Rahul Kashyap: Yes because Sir it is a win win if you ask me, it is a big win to be the first in this because India tends to be labeled as a cheap provider and a copycat but in this case India can actually lead the solar initiative globally across the value chain and there is a lot going for the government, for employment, for India being put on the map. So, if the whole industry could come together and seriously give undertakings to the government because I cannot see a bigger win win on any industry today than solar, so that is my first question sir. So, I am hoping that something is done and I am very happy to help on that. The second Sir is that in terms of applications and applicability going forward solar is going to become a much bigger part of our lives what more things can be driven out of solar. So, for example currently we are talking about commercial and residential electrification, what about things like automotive and various other industries that can get solar?

Pradeep Kheruka: So the answer was provided yesterday in that conference which was hosted by CII and the Ministry of New and Renewable Energy. A question was about the government policy for automobiles and the answer that was provided by the government, by the minister was that at the moment huge investments have been made in automobiles in the country and the government cannot take a policy decision overnight which is going to bring all these investments, employment, tax generation everything crashing down. I think they are in serious dialogue with automotive sector in the country about a change over from fossil fuel to electric power and the next big thing that is being discussed is electric trucks and electric vehicles with replaceable batteries. Basically, the idea is that, instead of going to tank up on petrol pump, there will be battery stations all along the highways. So, you go there, you get rid of your batteries, get another battery that they will fit it in about three minutes and then you are off again. Even for trucks it will be like that. So, that is what the scenario looks like. This is all in the making right now. We need electric power. So, yesterday Mr. Piyush Goyal said that in another eight or nine years they are looking at making the railways 100% solar driven, 100%. So, there is storage for solar power and really working with that and all the trains will be running 100%. So actually, there seems to be no end of solar if you ask me personally, there is just almost limitless potential.

Rahul Kashyap: Yes, that sounds very promising. My last question was more a clarification that if I have understood correctly if you take a decision by January 2021, you could potentially have the capacity on stream by March 2022 is that correct right?

Rahul Kashyap: I am assuming we as a team have done a diligence that when we get to 1000 tonne capacity a day in March 2022, we actually have the orders backing that, I mean we have the revenue potential or the sales potential for that.
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Pradeep Kheruka: Yes we definitely expect that pretty much from the moment that we have the glass we should be able to start selling, I mean, the plan is of mice and men. I am a great believer in God so if God wills everything will happen, but we still have to plan and still have to do what we have to do. The key expectation certainly is that in March 2022 by the time we are up and running we should be able to start selling from the moment we are ready to go.

Ashok Jain: Just to add here the current demand in the country for solar glass is more than 700 tonnes per day. With the capacities which are in pipeline from Adani, Waree, Vikram, Renew and many others like Premier, the demand is going to become more than double in the next two years' time. So, to sell 800 tonnes per day by March 2022 will not be a problem.

Pradeep Kheruka: And we are also looking at exports. We must remember something that solar power because of its will replace fossil fuel power. Thermal power is out of the window.. All the growth in power generation capacities in Africa and other countries is probably all going to be solar. We cannot just stop it in India and as one of the other gentleman mentioned India can become a vendor to the world. China being under serious stress right now, people would look for alternate supplies as well and there is no reason why India cannot be an easy match for China.

Moderator: Thank you. The next question is from the line of Utkar Somaya, an Individual Investor, Please go ahead.

Utkar Somaya: Sir I wanted to ask you that recently China reduced PV module prices by 9% so even in spite of the government coming in and imposing import duty, do you think they can further reduce the price in India?

Pradeep Kheruka: You see it is like this that the reason for Chinese reduction of prices is that China seems to be getting back on its feet after COVID. By around the middle of March the crisis in Europe and the United States was starting. So, China's customer base dried up, whatever was being sold in China was being sold in China, but China is supplying to the world so stocks piled up in inventory. They were not able to sell and started coming to India just to off load the product and to encash the modules that they had made already. That is not something which is likely to continue and for everything there is a limit. You can reduce prices for everything up to a point. Beyond that you cannot reduce these prices which they are offering now at all-time lows. This cannot continue. So many of the companies have gone belly up. I mean lot of Chinese banks are stressed. All these loans, all the money that they give to the solar companies are billions of dollars so how much can you continue to give.

Ashok Jain: In the today's paper it is reported that the Chinese Government has to pay $42 billion to the solar people - the solar companies. $42 billion! So clearly it is not sustainable.

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Pradeep Kheruka: They just go by the skin of the teeth, it is government owned banks and government owned companies. There are senior congress party members who have shares in some of the largest companies. So, action on them is delayed. Like normal recovery action from the bank is delayed but one day the bill is presented, one day it cannot be delayed. China is a very mysterious place and nobody really knows what is going on.

Utkar Somaya: The product is used as a commodity. Can pricing power come in to the Indian market may be not in the next two years or may be in the next, three, four, five years?

Ashok Jain: The pricing power actually comes by way of brand creation. As you rightly mentioned the product is being used as a commodity. We are trying to create our own brand image and our own brand perception on the product which will enable us to get better prices and better preference in buying. These efforts are going on right now and in another one year's time we will like to say that the people are prepared to pay better prices for our brand. We are on this job.

Utkar Somaya: Okay I understand, thank you. And Sir what percentage of the total cost is fixed, fixed cost?

Ashok Jain: Well it is close to 50%.

Utkar Somaya: On the EBITDA margin 50% is fixed on P&L. Okay so you can see tremendous economies of scale as you increase volumes.

Ashok Jain: Absolutely yes.

Moderator: Thank you. The next question is from the line of Ritika Gupta from Equita Investment. Please go ahead.

Ritika Gupta: Good morning, thank you for giving me this opportunity. I wanted to know what kind of return or investment do we expect when we pick up the brown field projects?

Ashok Jain: So generally, our benchmark to earn a payback on the new project is between 4 to 5 years. That is a ballpark number which we look at because this is a capital-intensive product and 20% ROCE for five years payback is what we are looking at.

Ritika Gupta: Okay and Sir since power is such a big cost for us, do we have PPAs or how do we draw power?

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Ashok Jain: Yes, we buy power from the DISCOM and on the top of that we have made agreements for long term power and medium-term power with private vendors where we save cost by almost to Rs.1 per unit. So, we try to economize on the power cost this way. As Mr. Kheruka has said earlier that we plan to set up solar power production in our compound that will reduce the power cost a bit. We also have wind energy. So, we are trying to optimize and reduce our power cost to the extent it is possible.

Ritika Gupta: Sir what is the power cost per unit?

Ashok Jain: Well it is about Rs.8 if you buy from the DISCOM and we are buying it at about Rs.6.50 or so, so on a bundled basis it is about Rs.7.50.

Ritika Gupta: Okay and Sir per tonne of manufacturing how much power do we need in terms of units?

Ashok Jain: For 1 unit we need 1.2 kilo watt power. That is in an efficient plant which we operate. We are able to control the cost.

Ritika Gupta: Where do we see the company say five years from now? Do we have a target?

Ashok Jain: As we mentioned, the new capex on a 500 tonnes per day facility is being contemplated. After that is implemented we are likely to reach close to Rs.1000 Crores turnover and beyond that we have to still plan.

Ritika Gupta: Okay and Sir my last question Sir what would be the breakeven price for the solar glass, what would be the breakeven price for us at full capacities?

Ashok Jain: See we have certain EBITDA and certain margin so based on that one can judge what could be the price.

Ritika Gupta: Okay all right, thank you.

Ashok Jain: Because it is difficult to give one price. There are various types of material and it is sold in various thicknesses so there will not be one price.

Ritika Gupta: Okay, thanks.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Equitas Advisor. Please go ahead.

Deepak Agarwal: You just said that you cannot give the price but still you can give some idea regarding what has been the price What was the decline in the price, what is in the trend recently?

Ashok Jain: See there are various sets of customers where the prices are very different. There are large players and there are small players. There are off grid applications and grid applications. The prices are very different in all the segments. If you ask what is the company realizing per unit on a bundled basis, it is close to Rs.100 per millimeter.

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Deepak Agarwal: Rs.100 per millimeter. Right and what was it let us say three months ago and six months back?

Ashok Jain: Yes, we have reported that 7.5% has been the decline over last year FY2019, so the price prevailing in previous year was about Rs.106 to Rs.107.

Deepak Agarwal: And Sir recent decline in the price because it is dumping from Malaysia?

Ashok Jain: Yes of course the price is affected by how the landed costs work out for the Indian domestic producers and that is where the challenge lies. Whenever the prices from the Malaysian or Chinese manufacturers decline, the prices have to be readjusted to suite the domestic customers who also buy from us. As Mr. Kheruka said earlier clearance of inventory and anxiety over how the COVID will turnout, what the demand would be, resulted in anxiety in the players in solar glass industry and they started offering low prices. On the top of that glass industry is a continuous process industry where you keep producing and the shutdown cost is very high. So, manufacturers have to just go and clear their inventory and continue production. With that background and objective some people have been offering 10% to 20% lower prices in the last three to four months. That has some impact on our pricing as well.

Deepak Agarwal: Okay, so you said there is no anti-dumping duty on Malaysia, but is there an ADD on China?

Ashok Jain: Yes against China, there is ADD in place from August 2017 for five years and this varies in dollar per tonne terms based on manufacturers., It ranges from about 15% to 30%.

Deepak Agarwal: Okay, what is the basic custom duty currently?

Ashok Jain: Unfortunately, there is no basic custom duty on the solar glass. Conversely when you export glass to China there is 21% duty, so this is paradox situation where you cannot export to China, but you can import it without any duty.

Deepak Agarwal: I recently read that University of Cambridge has developed a zinc battery which does not require solar panel so that means it does not require glass?

Pradeep Kheruka: There is no real dependable panel that has been made without glass. Regardless of whatever anybody might say, glass is the great protector. All the automobiles today run on glass

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either metal or glass or it can be fibre glass for the body. You need glass for the solar panel facing the sun. The solar cells are very brittle, they are very small very easily subject to wear and tear. The cost of glass is nothing compared to the cost of the cell. So, it makes zero sense to try to save the money on the glass. I do not see glass going out for the longest time. At the moment I cannot see any product in the world which can replace glass.

Deepak Agarwal: Okay, fine. Thank you, that is it from my side.

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

Divyesh Shah: Hello Sir, I am your old shareholder of Gujarat Borosil, so now I got the shares of Borosil Renewable as well as Borosil Limited, so can you please tell us when your Borosil Limited will be listed, because it is taking a longer time than expected?

Pradeep Kheruka: We have done all we could, I mean we have put up everything. I think it is very, very close now. We have already received listing permission from BSE and NSE and from SEBI, now there are certain formalities which we are going through, it is a matter of days now. It is not in my hand, so I cannot tell you a definite answer, but it is a matter of days.

Divyesh Shah: Sir, can you highlight the financial highlights a Borosil Limited because we do not get that highlights, as on March 20, 2020?

Pradeep Kheruka: No, we did that yesterday in the morning at 10 a.m., there was an investor call of Borosil Limited.

Divyesh Shah: Sorry, I missed that.

Pradeep Kheruka: I am sorry about that. It is not appropriate to talk about Borosil Limited right now.

Divyesh Shah: It is posted on the website?

Pradeep Kheruka: Yes, the investor presentation has been posted on our company website already.

Divyesh Shah: Thank you Sir.

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

Jayesh Shah: Good morning Sir. I have got a couple of quick questions. Sir, first would be how much do the soda ash prices affect us, because from what I have heard the soda ash prices have been running up and they are expected to stay at that level for a year at least now?

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Pradeep Kheruka: It has come down.

Jayesh Shah: Okay this is what I got from GHCL and Tata Chemicals conference calls and from the distributors, they said that it is expected to go up and stay that way for a year?

Ashok Jain So I would like to say that GHCL and other manufacturers like Nirma are trying to get anti-dumping duty levied against certain imports coming into India. Now they may be taking that as an assumption that duties will be levied and they will be able to raise their prices further up. But what is happening around the word is that the prices are nose diving actually not only reducing it is nose diving like what happened with various commodities it has happened to soda ash. The prices are down by at least 15% in the last four months in import markets and what I hear from China, the prices are down even further. So, there is a strain to sale the soda ash from the overseas markets into India and various places where the consumption could be. Domestic manufacturers who are working together trying to protect their prices even though they are making decent profits and trying to have anti-dumping duties levied. So, we have to wait and see how the results of the anti-dumping investigation goes and finally gets concluded. And yes, as far as they are concerned the prices are not down, it is marginally down, because we ourselves buy from them. We also import ourselves. We believe there may be only minor changes.

Jayesh Shah: Okay, second question Sir what kind of demand are we seeing from Europe after the pandemic, do they want to shift to local manufacturers for glass, are we still seeing high demand from them?

Ashok Jain: Well, we have good order flow from Europe fortunately and even in the pandemic times we have been registering sales as usual. Our buyers are in certain locations where the impact had been low except for Italy where the impact was very heavy and our supplies were suspended. Even Italy has returned now and now they have started importing from us. As far as the local competition is concerned yes, there is a player over there, but the demand is higher than what they can supply. In the meantime, one of the plants which was operated by Saint Gobain on an on and off basis is almost getting shut, so they may actually need more imports. So, we are quite comfortable on our exports now and going forward.

Jayesh Shah: Sir, if the duty is implemented when can we see the benefits of the duty kicking in and how much margin expansion can we expect like a rough figure if you could give us?

Ashok Jain: It is very difficult to predict, first of all whether the duty will come or not and if it does how much. Second, it is hard to guess what price adjustment will take place in the final pricing offer by Malaysian exporters. So, we would like to wait and see.

Pradeep Kheruka: They might drop their prices after…

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Ashok Jain: Yes, which they have been doing always with any duties across the board. Even in USA or Europe, they try to adjust the prices, drop the prices and try to secure the business Yes, we will have a positive impact in terms of the prices in the demand from local buyers for us, but what percentage it will translate to is really a challenge.

Jayesh Shah: That helps. Thank you.

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

Utkar Somaya: Thank you for taking my question. So I wanted to ask from all your major customers that you mentioned, do any of them buy from China, Malaysia or all of their products comes from us?

Ashok Jain: The large players in SEZ are largely importing their products, so the names like Adani, Vikram all these people are basically meeting their requirements from imports. They buy in a small quantity from us. The players in DTA buy from us in various degrees - some players buy 100% from us, some will buy 80% or so. More than 50% of our customers buy 100% from us. So, these are the different sets of people. When demand goes up the benefit will accrue to us from both sets of customers.

Utkar Somaya: How much more can you expand in your current space before you need to go for Greenfield expansion?

Pradeep Kheruka: Good question. We have not worked it out. We are using only a fraction of the total property that we have available.

Utkar Somaya: Okay, could you just give some guidance as to how much more like double from your…

Pradeep Kheruka: Suppose if we go for 500 TPD today as the next project, we could easily setup another 1000 tonnes furnace on the existing property that we have.

Moderator: Sir, would you like to add any closing comments?

Pradeep Kheruka: Thank you very much for the interest shown in the company and its functioning. I hope I have been able to answer most of your questions and I look forward to the next meeting. I hope that the next meeting would be with little bit better results. Good day.

Moderator: Thank you. On behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.