



Borosil Renewables Limited

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

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November 20, 2020

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Dear Sir/ Madam,

Subject: Transcript of Institutional Investors and Analysts Conference Call

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We enclose transcript of conference call with Institutional Investors and Analysts which was held on October 20, 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

**“Borosil Renewables Limited Q2 FY-21 Earnings
Conference Call”**

October 20, 2020

BOROSIL



**MANAGEMENT: MR. P.K. KHERUKA – CHAIRMAN, BOROSIL
RENEWABLES LIMITED
MR. ASHOK JAIN – WHOLE-TIME DIRECTOR, BOROSIL
RENEWABLES LIMITED
MR. SUNIL ROONGTA – CFO, BOROSIL RENEWABLES
LIMITED**

MODERATOR: MR. ABHISHEK PURI – AXIS CAPITAL LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY21 Earnings Conference Call of Borosil Renewables Limited 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. Abhishek Puri from Axis Capital Limited. Thank you and over to you sir.

Abhishek Puri: Thanks a lot Rutuja. Good afternoon ladies and gentlemen. On behalf of Axis Capital, I'm pleased to welcome you all for the Borosil Renewables Limited Q2 FY 21 Earnings Conference Call. Today we have with us the management team represented by Mr. P.K. Kheruka, who is the Chairman, Mr. Ashok Jain – Whole-time Director and Mr. Sunil Roongta, who is the CFO. So we will first begin with the opening remarks from Mr. Kheruka for the operational highlights and key updates for the sector. This will be followed by the Q&A session. With that I handover the floor to Mr. Kheruka. Over to you Sir.

P.K. Kheruka: Good afternoon and welcome to the Borosil Renewables Second Quarter Financial Year '21 Investor Call. The Board of Borosil Renewables approved the Company's financial results for the second quarter financial year '21 yesterday. Our results and an updated presentation have been sent to the stock exchanges and have also been uploaded on the Company's website. We had interacted about two months ago after our first quarter financial year '21 Results announcements and I shall try and cover the key developments since then.

The Second Quarter Financial Year '21 was the first full quarter during which both our furnaces have been able to function uninterrupted. Production during the quarter was at about 91% of installed capacity. We have been able to achieve almost the same level of ex-factory price as in the first quarter FY21 as well as second quarter FY20 despite selling double the volume compared to these quarters and the drop in the import prices during May to July, 2020. Borosil Renewables achieved its highest ever sales of Rs. 114 crores during the quarter, nearly doubling the sales achieved during second quarter financial year '20. We service the requirements of utility scale ground solar, solar photovoltaic module as well as smaller off-grid module manufacturers in India as well as customers in the export market.

During the quarter sales of thinner glass, less than 3.2 mm thickness were about 24% of overall sales. Both the company's furnaces have been in full operation since the last quarter of the previous financial year. That quarter had seen higher sales of INR 94.26 crores and an EBITDA margin of 22.5%. The lockdown at quarter end had prevented the company from achieving even higher performance during that quarter. The first quarter of the financial year '21 was disrupted with the lockdown restrictions forcing production and sales to run at sub-optimal levels and we could achieve a reduced margin of 18.6%. A strong showing by the company's team during the current quarter has allowed an uninterrupted run of production and sales thus clocking a much-improved EBITDA margin of 28.4% during the second quarter of financial year '21. Besides improved operations during the entire quarter, certain cost

optimization initiatives also contributed to improved EBITDA margins. These included savings on account of reduced rates of raw material and power and further optimization in packing material. During the quarter there was also a credit of electricity duty pertaining to earlier quarters.

During the second quarter financial year '21, Borosil Renewables turned in a profit before tax of Rs. 19.8 crores as against a loss of Rs. 2.8 crores in the second quarter of the last financial year and a loss of 2.4 crores in the first quarter of this financial year. Profit after tax during the quarter was Rs 14.1 crores.

Over the last few quarters, we have discussed the significant market potential we see for solar glass. As a sole manufacturer of solar glass in India we are well-positioned to be able to get a fair share of the fast-growing market. The current installed capacity gives us the ability to achieve quarterly net sale of about INR 120 crores at current prices. The second quarter of the current financial year is testament to our ability to on an EBITDA margin in the high 20s despite the unfair price competition from imports of solar glass currently from Malaysia and China. Over the years, we have built the capacity to produce tempered solar glass at globally competitive cost. Subsidies in cost of land, power and fuel, finance and taxes etc. available to our Chinese and Malaysian competitors is something that we cannot control and it is for our authorities to take cognizance of and to prevent dumping and unfair pricing.

Apart from globally competitive production cost, Borosil has also innovated to produce solar glass of very high quality. This helps to reduce total cost of ownership for our customers. Borosil glass is engineered for longer life with lower potentially induced degradation and enhanced mechanical strength. Borosil's fully tempered 2 mm glass offers a proper safety glass for solar photovoltaic and BIPV installations. With a drive to provide value-added products by constant innovation, we have also developed anti-glare solar glass which has application for installations in the airports etc. Our investment in capability building over the years gives us the confidence to offer a portfolio of products to meet the specific requirements of a wide range of photovoltaic module customers.

The current installed solar capacity in India is about 37 GW. The Government of India has a target of taking the total installed solar capacity in the country to 100 GW by 2022 and 300 GW by 2030. This provides a very large headroom for growth. The solar power installations after remaining at the level of 2019-20 are projected to rise considerably to 9 GW and 13 GW in 2021-22 and 2022-23 respectively by most agencies tracking the sector. The Atmanirbhar Bharat initiative will also ensure that an increasing proportion of this growth will come from domestic manufacturing of Cells, Modules and components like glass. The Government has been moving although slowly towards imposition of tariff barriers on solar cells and modules since the present safeguard duty will expire by July 2021. Such a move is a necessity to provide a long-term outlook for risk capital and will definitely promote investment into manufacturing. This will increase demand for solar components including solar glass. Announcements have already been made by large producers and developers like Adani, Waaree, Vikram and ReNew for installing solar cell and module manufacturing capacities of

12 GW which are expected to come up over the next 3-4 years in multiple phases. There has been a rise in domestic module manufacturing as the mood in the country is to reduce dependence on imports in view of the call for Atmanirbhar Bharat. All these developments are resulting in higher demand for local components like solar glass.

As far as taxation of the solar glass is concerned, there is no basic duty on import of solar glass into India. Even though import duty is levied on imports of solar glass by other producing countries for example China, Malaysia and Vietnam. These countries have come a long way under a long-term strategy promoted domestic manufacturing by taxing imports. Similar action needs to be taken by the Government of India. There is however an antidumping duty on solar glass imported from China valid till August, 2022. Unfortunately, Chinese glass imported into a SEZ escapes this antidumping duty and then modules are cleared into the domestic tariff area, with no duties being levied on the glass component. This unfair loophole needs to be plugged. Imports from Malaysia have not been subject to ADD. Chinese companies are thus flocking some of their production through Malaysian subsidiaries. About 60% of the imports into India now come from Malaysia.

The company's application is currently pending with the Director General, Trade Remedies for levy of countervailing duty. This was to be decided by the mid-of September however the concerned authority has decided to take an extension till the middle of December. A positive decision will help the company in controlling margin compression and gaining market share going forward.

The company had recently increased its capacity from 210 tonnes per day to 450 tonnes per day. As I have shared with you earlier, given the large potential for growth that we envisage for the solar industry and for us as a component supplier to the industry, we have decided to install new capacity of another 500 tonnes as a brownfield project at our factory in Bharuch. The shareholders have approved raising of funds to the tune of Rs. 500 crores. The company will be meeting the project cost by a mix of equity, debt and internal accruals. The exact composition will be known in the next few months. The project is expected to come into production in 18 months of achieving a financial closure. As per current targets we are planning to begin production by the first quarter financial year '23.

During the second quarter financial year '21 we have stepped up production on both the furnaces and put in efforts to maximize the tempered glass production by further optimizing the utilization of our processing facilities. We have some more scope to enhance the glass production as well as tempering by further optimization. We are also incurring a small CAPEX in the third quarter of the current financial year to increase tempering capacity. The selling prices which started to recover from end of August have been ruling firm in view of higher demand.

Export market is also looking good as the domestic production of modules in Europe with advanced technology is being promoted. This provides us an opportunity to increase exports

including of thinner glass to Europe. With this optimism I will pause here and open the floor to questions that you may have. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Jiten Borecha from Sequent Investments.

Jiten Borecha: My first question is on the margin side. So our margins have gone up on consol basis from like around 18% to 28% Q-o-Q, so what is the major factor behind this and are these margins sustainable for FY21-22?

P.K. Kheruka: In my talk I had mentioned that the margins in the last quarter of the last financial year that means from January to March 2020, were 22.5%. The 18.6% margin was an aberration because of COVID., We were not permitted by the Government of India to run the production, so obviously there was no production, but the costs were still there. We still had to pay salaries; the furnaces were on soak, so we were paying for fuel costs and things like that. So actually we should be seeing our performance in this quarter in comparison with the performance of the last quarter of the last year which as I said was 22.5%. But even in that performance of 22.5% there was a gap of nearly 10 days or so when in the last 10 days of March we were not able to ship our production and there was a lockdown, so we had to stop production. So even that was not a very good quarter though we achieved 22.5%. I would say that had we run the full quarter in in Q4FY20, we would probably have achieved numbers fairly similar to what we got in the second quarter of FY21.

Jiten Borecha: So you are saying that 28% kind of margin is sustainable for the whole year and for next year?

P.K. Kheruka: As far as we can see today it certainly looks sustainable but as you know nobody could foresee the COVID crisis, nobody could see all of these things. But as we speak today, the demand is very robust and we are having absolutely no problem in selling the glass and we are able to manufacture the glass almost at capacity. As you saw we have achieved 91% of our capacity. So of course, we will continue to work harder to achieve even higher percentage rate. We will have to see how much better we can do.

Jiten Borecha: My second question is on the revenue side, so just wanted to understand how does our revenue model work? So, do we get a direct order from our client?

P.K. Kheruka: We are a B2B player—I am using the word B2B—because our customer is a module manufacturer. Now the module manufacturer orders a size from us which is a fractional size correct to the last millimeter. So, we have cut the glass according to that, we have to temper it, we have to pack it according to his requirement and he uses it directly for his production. But actually he is using it as a component which is going directly into production. Our order books are at a comfortable level and it has been going on like this for more than a year now. We have about 1.5 months of orders .

- Jiten Borecha:** Can you quantify the number like is it possible to share the number, what's the order book size?
- P.K. Kheruka:** Our sales in terms of square meter for the last month was about 19 lakh square meters or so. So about 18.5 lakh square meters on 2 mm basis that's what we sold. So the order book would be about 26 lakh square meter.
- Jiten Borecha:** And we can execute this order in next 1-1.5 year?
- Ashok Jain:** No, these are fairly fast orders. They were to be supplied within a period of 1 to 2 months only. We do not have long-term orders. We get orders on regular basis we keep fulfilling them.
- P.K. Kheruka:** The orders are by and large repetitive, so it's not like new people are ordering. Our existing customers keep on ordering., So, they place an order we supply and then they place the next order, so then we continue to supply. So it's always rolling over.
- Moderator:** The next question is from the line of Jay Shah, an Individual Investor.
- Jay Shah:** My first question is what is the percentage of exports in our total sales and how much do the top 5 or 10 players contribute to the net sales?
- P.K. Kheruka:** I would say that at the moment our export percentage is about 14% but that is also because COVID crisis has impacted the functioning of our export customers. The top 5 customers would constitute roughly a quarter of our sales.
- Jay Shah:** Do we have any specific target to reach our exports about 25%-30% or anything by the end of the financial year?
- P.K. Kheruka:** We don't have any outside pressure. There is no commitment or anything of that sort that we have to meet. There are small commitments which are very small and which we keep meeting those are from advanced license and all that. And at the moment the domestic demand is very strong, so we are not chasing export business.
- Jay Shah:** Do you think the EBITDA margins would be sustainable in the coming quarter like as far as I know the raw material prices have increased quite a lot compared to Q2. So, do you think we can pass on those costs to the customers and we can maintain the margins just for the coming quarter?
- P.K. Kheruka:** I think yes, we can maintain the EBITDA margin.
- Ashok Jain:** So, for us we have committed for the raw material prices for the whole year and these prices were renegotiated around the COVID time. So, the prices have been fixed already for the entire financial year. So we will be able to control our cost for this financial year. Going forward it depends on the market situation and in case we need to increase our costs a little bit, there could be an impact the next financial year.

- Moderator:** The next question is from the line of Naveen Bothra, an Individual Investor.
- Naveen Bothra:** My question is regarding you said that in the power and fuel cost there was some credit reversal in this quarter, so how much is that one?
- P.K. Kheruka:** It is Rs 1.26 crores which also includes part amount for this quarter and part for the previous quarters. The entire amount would be about 1% or so of EBITDA.
- Naveen Bothra:** That includes both the quarters?
- P.K. Kheruka:** Actually more than two quarters, it is for four quarters.
- Naveen Bothra:** As regarding the further tempering CPAEX in Q3, how much will be the amount required and what benefit we can get in the coming quarters?
- P.K. Kheruka:** So current capacity of tempering is less than what we need. We had one line which was earlier dismantled because we had a more efficient line installed. Processing certain type of glasses can be easily done on this line. These small glasses which don't have certain challenges that processing large sizes have. So, we will be re-commissioning this line in November and the expenditure expected is about Rs 3 crores. That will allow us to temper and sell higher volumes of glass.
- Naveen Bothra:** And as regards the fund-raising plan and expansion plan, in the AGM it was said that most likely it will be coming with the plans in this Board meeting, so I think it is getting delayed by 2-3 months or in between the quarters we will be announcing the expansion and fundraising plans?
- P.K. Kheruka:** We are going according to the advice of our financial advisors who are helping us to raise the funds. So it does look like in the next few months we should be coming to some conclusion on this matter.
- Moderator:** The next question is from the line of Utkarsh Somaiya, an Individual Investor.
- Utkarsh Somaiya:** I just wanted to continue on the previous question one of the participants asked about sustainability of margins. I get that you will sustain your margins but will you be able to sustain the cash flows generated in the first half of FY21?
- Ashok Jain:** Our cash flow is fairly simple and straight because our payment terms to the vendors and to the customers remains the same and we should be able to control and earn our normal quarterly cash-flow. We are able to control both our debtors and inventories.
- Utkarsh Somaiya:** So, this quarter we can assume a steady state cash flow generation, correct?
- Ashok Jain:** Yes.

- Utkarsh Somaiya:** And I didn't get the number you said for the tempering CAPEX, can you please repeat that?
- Ashok Jain:** For this tempering line we will be spending Rs 3 crores.
- Utkarsh Somaiya:** So that's insignificant.
- P.K. Kheruka:** This is actually the cost of refurbishing it and bringing it back into operation. The cost of a new line is usually much more than that.
- Utkarsh Somaiya:** This is only a refurbishment?
- P.K. Kheruka:** Yes because we already had the line.
- Utkarsh Somaiya:** Just wanted to get an idea on the pricing of solar glass, what is the current pricing? Can you please throw some light on that?
- Ashok Jain:** Pricing of solar glass was quite low in the month of May-June and July as the Chinese and Malaysians were actually disrupted with the COVID situation and they were cutting prices, they were giving discounts. After that the prices have corrected significantly and now the prices are ruling firm. So the margins we have achieved is with the mix of prices as prevailing in July and August and improvement from August to September.
- Utkarsh Somaiya:** So, what is that number, can you please share that with us?
- Ashok Jain:** The average selling price for our goods for all the customers put together, different kind of customers and segments; the average was about Rs. 98 per square meter.
- Utkarsh Somaiya:** And in the last 5 years can you just give me an idea what is the highest realization and the lowest realization you ever had?
- Ashok Jain:** So, realization has fluctuated between Rs. 97 to Rs. 102. These are numbers on ex-factory basis for 1 mm glass.
- Utkarsh Somaiya:** So we don't expect a lot of fluctuation going forward, so even in the last five years it's been pretty fair, am I right?
- Ashok Jain:** Yes, we believe so, but you never know about the market dynamics. Depending on demand and supply situation, the prices may fluctuate both ways. But as you see, the average fluctuation rate has not been very high for our operations.
- Utkarsh Somaiya:** Just wanted to understand that the global competitors that we have, can you just let us know what their operational metrics are in terms of EBITDA margins, the ROCEs to get a picture of where we stand as against them?

- Ashok Jain:** Most part of competition is from China and these numbers are not easily available for our study and analysis. The largest players are like Xinyi Glass or Flat Glass have much larger capacities compared to us and their margins are slightly higher in one or two cases. That's what we understand.
- Utkarsh Somaiya:** How high would that be if you can give us an idea?
- Ashok Jain:** We wouldn't know the exact numbers because these balance sheets are not readily available. But we hear that their margins are little better.
- Moderator:** The next question is from the line of Kiran Paranjape, an Individual Investor.
- Kiran Paranjape:** My specific question is related to raw material cost, if I look at Q4 FY20 which is the quarter ended March '20, the raw material cost as a percentage of sales was about 28% on a much lower sales of about 95 crores whereas for this quarter it is 30%. So, may I know the reason why it is going up whereas actual sales have gone up? I was expecting the costs to come down. And is it due to the soda ash prices and antidumping duty which government has placed on soda ash?
- Ashok Jain:** As far as we see it, the raw material cost as a percentage of sales is lower than what it was. So, it actually fell by about 3% compared to the previous quarters.
- Kiran Paranjape:** And do you see an impact of soda ash antidumping duty which government has put in?
- Ashok Jain:** We are actually not importing from those countries which are going to be affected by the Government's recent order which is allowing them to charge provisional duty for 6 months. The final decision is yet to come as far as our knowledge goes and we are not importing from those countries. So, to that extent we will not be impacted.
- Moderator:** The next question is from the line of Vipul Shah, an Individual Investor.
- Vipul Shah:** I just want to know what is our installed capacity and what was our production in this quarter?
- Ashok Jain:** Our installed capacity is 450 tonnes per day of solar glass. That is the gross melting capacity and we produced about 421 tonnes per day during the quarter.
- Vipul Shah:** I am little confused, here you are giving the capacity by weight but generally when Mr. Kheruka made presentation, he used the term in square millimeter on 2 mm thickness basis, so how should we consider your capacity?
- P.K. Kheruka:** Actually, in the glass industry typically when people are asking questions on capacity, the answer is usually provided in terms of tonnes per day. and that figure remains constant. Now when the customer asks for a certain size or a certain thickness which might have a different efficiency level which will be able to generate a certain manufacturing efficiency, the production square meters might come down or it might go up. So, if you wish to know the

answer in that sense, I would say that it would be about 67,000 square meters on a 2 mm basis would be the capacity in a rough basis per day.

- Vipul Shah:** So, we are incurring further CAPEX of Rs 500 crores if I heard you correctly?
- P.K. Kheruka:** Yes, that's right.
- Vipul Shah:** So that will be completed by when?
- P.K. Kheruka:** We have written 18 months from the date that we start.
- Vipul Shah:** But we are not generating that much cash, so all will be debt funded?
- P.K. Kheruka:** No we have written that. It could be a combination of debt or equity. We have not come to a final conclusion about the means of funding and we are quite confident that we should be able to raise the cash which is required for this project.
- Ashok Jain:** Partly internal cash flows will also be used for the project but that will not be a significant portion.
- P.K. Kheruka:** As you correctly said that will not be enough to fund the project within the short time that we want to do it. So we may have to raise money one way or the other.
- Vipul Shah:** And what is our principle raw material apart from soda ash?
- P.K. Kheruka:** Sand, silica.
- Vipul Shah:** We must be supplying this to solar panel manufacturers, so their condition is not good. Most of the solar panel is imported from China that is what I have read from the press. I may not be correct on this. So how is the financial health of the panel manufacturers to whom you supply, so you don't see any payment difficulties in the collections?
- P.K. Kheruka:** On a standalone basis if there was no government support of any kind then we would have had an issue with the production of solar modules in India. However, Government of India has given certain orders which are meant for panels which are made in India, so it is called the domestic content requirement. There is a scheme for domestic content requirement for such solar panels which are used in specific applications which are government related. So enough business is there on that and therefore there is steady stream of business coming in from such orders which the government is procuring and therefore business is continuing.
- Ashok Jain:** Generally when you talk of high imports in solar, it is a combination of modules and solar cells which gives an impression that the imports are almost 75%-80%. But all these cells are being used in India to make modules. India is actually not importing 75% of module requirement. It

could be about 50%. The remaining 50% modules are being made in the country. Now additionally the government has come up with manufacturing linked tenders for 7 GW. That again requires domestically made modules and solar cells. So that is the kind of promotion from the government's side to increase the domestic output of modules and reducing imports.

Vipul Shah: And lastly you said prices had crashed in month of April and May and it rebounded to Rs. 97 per square mm, so in April and May prices had crashed to which level?

Ashok Jain: The international prices dropped by about 15% but there are only certain manufacturers who import in India. Not all the module manufacturers import glass. Some of our customers depend 100% on us. Another set depends partly on import and partly on us and there are very few who depend entirely on imports. So, our impact has been limited to those who are importing glass and with other customers we did not have to reduce the prices so much. So, the average impact was about 5% to 6% on the whole.

Vipul Shah: My last question about the technology., Have we developed this in-house or have we got a license from some international?

P.K. Kheruka: It's all in-house.

Vipul Shah: So what is our R&D expenditure per annum?

P.K. Kheruka: R&D expenditure I will have to fish for it. A lot of R&D is done on the fly which means while we are manufacturing the glass we take certain steps to change certain things and do certain things, so that usually goes in the cost of production only. It does not necessarily show up in R&D.

Ashok Jain: But the furnace's technology has been imported.

P.K. Kheruka: The technology in terms of the glass composition and all is ours but the different equipment that we are using in the production of glass, they are supplied by people who are specialists in that thing because we are not machine makers, we are the glass makers.

Vipul Shah: I have many more questions, so after the call if I want to touch base with somebody, whom should I get in touch with if you can tell me?

P.K. Kheruka: You can take an e-mail ID akj@borosil.com.

Moderator: The next question is from the line of Naveen Bothra, an Individual Investor.

Naveen Bothra: In the last call we had discussed about the solar roof-top of which we are going to install at our plant sight, so if you can update and throw more light on that proposal and how much it will cost?

- Ashok Jain:** Yes, so we are going ahead with the 2.5 megawatts of installation at our site which is partly roof top and partly on the ground and this will cost us something like Rs 11 crores as per the estimate. The work on the ground has not started, the quotations have been received. The short-listing of the suppliers is going on and we hope to award the contract in this project in three weeks or so. And after that the work will start.
- Naveen Bothra:** So, what will be the IRR which we are expecting from this Rs 11 crore investment as you stated some of power and fuel cost, how much it will be beneficial to the company?
- Ashok Jain:** As per our calculations the payback would be between 4-4.5 years and it's more than 20%.
- Naveen Bothra:** Last question – are there any other one-off expenses in this quarter which have not been expended in the earlier quarter? Like the director's remuneration which was approved in the AGM, so is there an impact on this quarter or no impact?
- Ashok Jain:** You are talking for Executive Chairman?
- Naveen Bothra:** And directors which was approved in the AGM so which may have been booked in this quarter only not in the first quarter, so any one-off impact of that one?
- Ashok Jain:** No nothing of that sort is there for the previous quarter.
- Moderator:** The next question is from the line of Bhushan Patni, an Individual Investor.
- Bhushan Patni:** I have some questions, what will be your working capital cycle be like?
- Ashok Jain:** In number of days it is about 55 days.
- Bhushan Patni:** No, going forward?
- Ashok Jain:** Going forward it will be slightly lower because we do not have to duplicate everything, so maybe around 50 days or so.
- Bhushan Patni:** And what will be your maintenance CAPEX this year?
- Ashok Jain:** Maintenance CAPEX has many facets in this industry, there are lot of items which are consumables, so we keep that separate. Maintenance CAPEX as such would be about Rs 50 lacs per month.
- Bhushan Patni:** And your asset turnover for that 500 crore CAPEX that you were talking about what will be the asset turnover for that?
- Ashok Jain:** This is a capital-intensive industry where asset turnover is close to 1:1. So it is going to be around that.

- Bhushan Patni:** And your CAPEX actually I saw in this half year you have spent 6 crores if I'm not wrong in purchase of machineries, so it will continue or it will be like what was for that? It was for maintenance CAPEX, partly for maintenance CAPEX partly for something else?
- Ashok Jain:** Routine CAPEX keeps happening in this industry. As we speak, we have ordered for grinding line and washing line. So Rs 10-12 crores per annum is generally routinely spent on the upgradation and balancing of the equipment. This is common in this industry.
- Moderator:** The next question is from the line of Utkarsh Somaiya, an Individual Investor.
- Utkarsh Somaiya:** Given that demand is so robust, do you envisage any other domestic players entering this space and if that happens do you see it as a problem for our company?
- P.K. Kheruka:** Well you see we are a free country in India. A lot of people can make glass and who do make glass. So, there's always possibilities that somebody else will enter the field. But even if somebody does, frankly speaking we have spent so much of sweat and blood trying to get this act together it's been very-very difficult. And I think it is not easy for someone to come in and establish themselves. You see like in the pharma business where anything you do you have to keep on supplying it takes 1 or 2 years for people to approve your product. Solar glass also takes a long time for a customer to approve a particular product. But finally there will be competition with everything in the world. I think that we are placed to meet any kind of competition for we have a very economical cost of production which will be very difficult for any competitor to match.
- Ashok Jain:** As we speak, we are already competing with imports. The share of imports is much higher than ours actually. So, there's competition already and those imports are coming by way of subsidized costs. A competitor who sets up industry in India will not have access to those subsidies. So, if he does come and he makes glass similar to us, in all probability we will have a lower cost of production. So, that's where our USP lies that we are there as a first mover, we have costs in control and we have relations which we nurtured over last 10 years in domestic as well as export markets. So, competition may come and is welcome. It will push to improve further.
- Utkarsh Somaiya:** And it's been a while since we've heard about anti-dumping duties and countervailing duties and it's just not come through. Do you personally feel that it is going to come through? What is your opinion on this?
- Ashok Jain:** Yes, the preliminary findings were announced, against countervailing duties on 12th of September, 2019. Generally speaking within one year of that the authority disposes off the application finally. Now this time around because of COVID impact they have taken an extension in many cases including ours, for 3 months. They have now set a deadline of 12th December to decide on the matter. But what finally happens in the matter is not in our control.

It is the prerogative of DGTR and we have to wait for the decision. The entire process has been completed, the hearings have been complete and now they have to take a call. Do they want to see continued imports, or they want domestic manufacturing to increase, it is their call.

Utkarsh Somaiya:

Are you optimistic?

Ashok Jain:

In business we are always optimistic and that's the reason we grow and we take risks. So, we can always be optimistic but the final decision is not in our hands.

Utkarsh Somaiya:

I just have one last bookkeeping question. Other participants asked about your gross margins in Q1, so I had a question regarding the same. The sales were in Q1, our sales were 54 crores and we had a gross margin of 82.5% and in the current quarter sales are 114 crores and we have a gross margin of 70%. I just wanted to understand why is it that the gross margin has reduced? Even though the operating margin has gone up so is it that you have reshuffled expenses from raw material cost to operating expenses or what is it?

Ashok Jain:

No, we have not changed anything. It is the nature of the industry and nature of operations which plays a role in these numbers because if the fixed costs are continuing and you're not able to produce, then you have lower margin and if you produce to the maximum then you have higher margins. Because the fixed costs remain the same and you are actually churning out more production and sales.

Utkarsh Somaiya:

Exactly why I'm wondering on a higher sales you have lower gross margin.

P.K. Kheruka:

I mean our margins are higher this year in this quarter than any time before, so which margin are you saying you've seen which is a lower margin?

Utkarsh Somaiya:

I'm talking about Q1 the previous quarter the operating margin is obviously much higher, but the gross margin is 82.5% in Q1 and right now it's 70% and a major component is change in inventory. So can you just please throw some light?

Ashok Jain:

The inventory valuation is one thing which will play a role because inventory is valued at less than selling price so that will of course be playing a role in the overall margin. If you have any specific...

P. K. Kheruka:

I think his e-mail is akj@borosil.com. If you can send him an email with a specific number that you have in mind, you can explain it but generally the margins this quarter is definitely a lot better than any margin at any time in the past.

Utkarsh Somaiya:

Just another question on your working capital days. You mentioned the sustainable number would be 50 to 55 days and if I am not wrong in the first half, we operated at 83 days. So was that just an aberration or what?

Sunil Roongta:

Yes, in the first half there was the COVID issue was there initially and then...

- P. K. Kheruka:** In the first quarter there was no movement of anything. So, obviously the stocks were lying. This first half year, particularly because of the first quarter, cannot be the benchmark for anything actually. What we see in the second quarter is more sensible or it's closer to the reality that we are experiencing now with two furnaces. Whatever we see now can reasonably be expected to be seen going forward.
- Utkarsh Somaiya:** Because in FY19 and '20 we have had higher working capital days, so hence I just was asking how come we from ...?
- P. K. Kheruka:** The financial year ended March 2020; we have to remember that there were two things. The old furnace that we had, the SG1 that was at the fag-end of its life, we were having certain issues with the quality and after that we had to shut it down for a complete rebuilt that took us 2.5 months. Meanwhile a new furnace that had started production in June took its own time to stabilize, so the year '19-20 has gone by with a lot of difficulties, let's put it that way.
- Moderator:** The next question is from the line of Ramakrishnan V from Equity Intelligence.
- Ramakrishnan V:** This CAPEX of Rs 500 crores where you are doubling the capacity, whether it will be a Brownfield or a Greenfield expansion and the land and all other things are in place?
- P. K. Kheruka:** Yes, it's going to be a Brownfield expansion. The land, power, water everything is in place, the people are in place, everything is in place. We just need to install the entire production line, part of the buildings are in place also. So that is how it is.
- Ramakrishnan V:** So these 500 crores of cost will be only for that furnace and the lines, whatever you have to build?
- P. K. Kheruka:** Some utilities will be there because now this will need more furnace oil, more LPG, more everything, more electricity, so we will have to expand our electrical yard. We will have to do quite a few things. So, the additional cost will not be what it was for the setting up of the second line. So the second line we could use a lot of existing infrastructure but all the infrastructure we had, has now all been utilized completely. So we will have to build fresh infrastructure but that means doubling things that we already have. So it's not the same like installing a new one.
- Ramakrishnan V:** What is the reason for going for a doubling capacity instead of 50% increasing gradually increasing because this is a slightly volatile industry because you have an order book only for 1.5 months and that kind of a thing. So what is this spend, if you can throw some light on that?
- P. K. Kheruka:** See, right now we have been studying the import figures for the last 3 years. So the imports figures are quite steady and there is a robust program by the Government of India to encourage the production of modules in India and modules cannot be made without glass. So therefore, we see that the demand is going to be there and if the demand is there and we are going to increase production, we expect to be the people who would be able to sell the glass to the customers rather than somebody else. The other thing is that right now as we speak, India is

using all vehicles which are running on diesel and petrol whereas every automotive industry projection is talking about the electric vehicles in a very-very big way. So what is likely to happen around the world and certainly in India also; people will be having a garage in which they will be installing a solar rooftop and they will have a battery in the garage so during the daytime the battery is going to be charged up with solar energy and in the night when the car comes back to the garage it is going to be charged from that battery. Just like we use a power pack for our telephones to recharge our phones, something similar will happen, we see that happening. So according to us the demand for solar at this moment is far more than this doubling of capacity that we are envisaging.

- Ashok Jain:** The current actual requirement is more than 650 tonnes per day and the glass which we are potentially able to supply after the expansion will be around this quantity. There is enough room available for our expansion. So whatever glass we manufacture plus there will be growth which is currently running at 30% CAGR for last 3 years. The demand is growing plus new capacities of modules are coming like we mentioned in the opening remarks. A lot of players have announced large capacities to be set up in India for module manufacturing. So the glass demand is going to be much higher compared to what it is today. So, whatever we produce will be surely and definitely consumed without much difficulty.
- Ramakrishnan V:** You said that from the financial closure it will take 22 months to the production to start. So, the CAPEX also will be over a period of time or you have to frontload that expenses CAPEX or it will be a gradual process?
- P. K. Kheruka:** We have mentioned 18 months' time. To the second point, whenever we book any orders, we have to pay a certain amount as advance and for the rest of it is usually back ended. At the time of shipment they encash the letter of credit. So that's more back ended than front ended.
- Ramakrishnan V:** Do you also take advances from your customers?
- Ashok Jain:** It's not the industry norm. Module manufacturers have heavy requirement of working capital as it is and if you were to ask for advances it will be further putting the burden on them. So, generally speaking the advances are not there, we need to fund it from our sources.
- Moderator:** The next question is from the line of Riddhima Chandak from Roha Asset Managers.
- Riddhima Chandak:** My question is regarding as you said the, in your opening remarks that modules producers based in SEZ zones in the country. They continue to clear the modules in a domestic tariff area without bearing any anti-dumping duty on the solar glass used by them. So you said the current requirement of the solar glass is approx. more than 650 tonnes per day. So how much this area caters to the total demand of solar glass and how much is the total imports as of now?
- Ashok Jain:** Roughly speaking about 70% is import as of now and we are supplying about 30%, that is a last year figure. Now after our expansion we are close to 40% and the imports are about 60%.
- Riddhima Chandak:** So imports you said 60% now and now you are supplying 40% to the industry.

- Ashok Jain:** Yes.
- Riddhima Chandak:** So the module producers which import without bearing any anti-dumping duty, so how much this portion of the total demand?
- Ashok Jain:** It could be about one-third of the demand. But they are not paying anti-dumping duty or any kind of duties but that does not mean they don't buy from us. So in some small measure they still buy from us.
- Riddhima Chandak:** So they are buying from us?
- Ashok Jain:** Partly, small quantities.
- Riddhima Chandak:** You said that China, there is anti-dumping duty laid on the China but same is with the another countries you mentioned like Malaysia and all?
- Ashok Jain:** No, against Malaysia currently there is no anti-dumping duty. We had applied for levy of countervailing duty on imports coming from Malaysia on which a final decision is still not announced by the Ministry to concerned authority. We expect that to come by December.
- Riddhima Chandak:** So I just, I mean from the knowledge point of view how much is the price difference between our solar glass price and that imported solar glass price?
- Ashok Jain:** For the customers who are importing and to whom we are also supplying, there is not much gap in the price because they are large customers as well as we also need them. So there is a certain amount of challenge in keeping the prices high compared to the landed cost but in other cases we have definite advantage where we are higher by about 8% to 10% compared to what the large buyers because others are smaller buyers and they generally deal with schemes where prices could be higher like module prices could be higher. They are not dealing with grid applications or tenders or reverse bid mechanism tenders where they were to compete very heavily with the low prices. So they are able to get better prices and they pay us better prices.
- Riddhima Chandak:** Just a clarification that do we also import anything like any solar glass, do we also import? Some material like to match the price with the another like Malaysian imports.
- Ashok Jain:** No, we are not importing.
- Moderator:** The next question is from the line of Vijay Bhayani from Samyak Financial Consultants.
- Vijay Bhayani:** My question is that, just taking it forward from the previous person who has asked the question but in terms of quantity can you give us, let us say last quarter. How much solar glass panels are actually used in India and then you can give us a break up in terms of quantity imports from China, imports from Malaysia any other suppliers and quantity supplied by Borosil? Is it possible to get that kind of data please?

- Ashok Jain:** So much of data is not available on any platform. We have some idea that 650 tonnes was the total consumption which includes the domestic production from us as well as the imports and as I said the imports were about 70% last year; we were contributing about 30%. So, on that basis you can understand the numbers. The ratio of imports has gone down in the current year.
- Vijay Bhayani:** From India apart from us is there any other manufacturer, supplying solar glass panels, as of now?
- Ashok Jain:** No there are no any other manufacturers for solar glass.
- Vijay Bhayani:** Now from this you said 70% is from total imports roughly, now this year it is 60% but out of this amount can you give us how much will be from China and how much from Malaysia?
- Ashok Jain:** We do not have exact numbers but our estimate is that about 60% is coming from Malaysia?
- Vijay Bhayani:** 60% of the imports, right?
- Ashok Jain:** Yes.
- Vijay Bhayani:** So balance of the import coming from China?
- Ashok Jain:** That's right.
- Vijay Bhayani:** Yes so 42% of the total is coming from Malaysia, 18% from China and balance 40% from Borosil. That is approximately, I will do my math. Now I want to ask you separately, differently; let us say if India incrementally installs 10 GW of new solar power projects then how much glass panels will be required in terms of quantity, volume?
- P. K. Kheruka:** If we go for 500 tonnes a day that would be good enough for the 2.5 GW. See at the moment we are already about 2.5 GW and if we double this capacity will become 5 GW of glass.
- Vijay Bhayani:** No, I am trying it differently. For 1 GW of new solar power generation project, how much glass will be required?
- Ashok Jain:** You will require about 200 tonnes per day capacity for that, for 1 GW.
- Vijay Bhayani:** No but 200 tonnes per day also there I do the math, for 1 GW how many days I should calculate?
- Ashok Jain:** You calculate full 365 days..
- Moderator:** Thank you. Ladies and gentlemen due to time constraints, that was the last question. I now hand the conference over to Mr. P. K. Kheruka for closing comments.

P. K. Kheruka:

Thank you very much dear investors. You asked many questions, I hope I have been able to answer you satisfactorily. So the basic point I was trying to say was that whatever performance we have had in the last quarter is actually just a follow-up of performance we have already had in the first quarter of this calendar year which was the last quarter of last financial year. And I hope that we should be able to see similar such quarters being repeated either plus or minus with the little changes in the period going forward. Thank you very much.

Moderator:

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