

BOROSIL®**Borosil Renewables Limited**

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

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August 28, 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 August 21, 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
Company Secretary and Compliance Officer
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Encl: As above

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“Borosil Renewables Limited
Q1 FY2021 Earnings Conference Call”

August 21, 2020



ANALYST:

MR. PRAVEEN SAHAY - EDELWEISS BROKING LIMITED

MANAGEMENT:

MR. P.K. KHERUKA – CHAIRMAN – BOROSIL RENEWABLES LIMITED

MR. ASHOK JAIN - WHOLE TIME DIRECTOR - BOROSIL RENEWABLES LIMITED

MR. SUNIL ROONGTA - CHIEF FINANCIAL OFFICER - BOROSIL RENEWABLES LIMITED

MR. RAJESH CHAUDHARY - WHOLE TIME DIRECTOR - BOROSIL LIMITED-INVITEE

Moderator: Ladies and gentlemen, good day and welcome to the Borosil Renewables Limited Q1 FY2021 Earnings 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 Sahay: Thank you Faizan. Good morning everyone. Thank you for joining to the earnings call of Borosil Renewables Limited. On behalf of Edelweiss Broking I would like to welcome the management team of Borosil Renewable to discuss the results and the outlook for the year ahead. We have with us Mr. P.K. Kheruka, Chairman of the company, Mr. Ashok Jain, Whole Time Director, Mr. Rajesh Chaudhary, Whole Time Director and Mr. Sunil Roongta, Chief Financial Officer. I would now request Mr. Kheruka for his opening remarks post which we can open the floor for Q&A. Over to you Sir!

P.K. Kheruka: Good afternoon and welcome to the Borosil Renewables Q1 FY2021 investor call. The board of Borosil Renewables approved the company’s financial results for the first quarter on August 10, 2020. Our results and an updated presentation have been sent to the stock exchanges and have been uploaded on the company’s website.

We had interacted about a month ago to discuss the results for the year ended March 2020 and recent developments. The transcript of the call is available on the website, so I shall keep these opening remarks brief.

As we all know during the quarter, the business of the company was severely impacted by the COVID-19 pandemic. The company has 2 hot end production lines (furnaces) namely SG1 and SG2. At the start of the lockdown, the company was forced to shutdown production from both the furnances and put the same on soak at high temperature till the 23 April 2020. Similarly, our customers had also closed their plants due to which demand nosedived. In view of the lower demand, the company resumed production from one furnace at a time by running the two furnaces alternately till June 14, 2020. Our customers gradually resumed production but struggled with getting labor. It took them sometime to reach the normal level and as the demand outlook improved, we resumed production from both the furnaces from 15th June. The plant team has done extremely well in resuming production despite all odds. We have been able to move to quickly improve production and reach substantial level of sales during May and June.

In the meantime, the international prices dropped by 15% to 20% due to low international demand in the entire solar PV value chain worldwide, owing to pressure of high inventory with Chinese and Malaysian manufacturers. There was an initial strain on liquidity as

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customers held back payments to meet their business expenses and uncertainty. The situation started easing in mid June. The company undertook a successful drive to reduce its buying cost for key raw material and reduction in overheads. We expect some of the savings to continue to accrue in the rest of the year. Our office team members continue to work from home. We will monitor the situation and decide when it is safe for us to come back to our offices.

Let me now turn to the numbers achieved during the quarter ended June 2020. Net sales were Rs.54.1 Crores. This is a 23% growth over the corresponding quarter last year. As you know, the company undertook an expansion of the second line SG2 which went into production in August 2020 and during the same month the original furnace SG1 was cooled down for a complete rebuild. So, the base quarter of Q1 FY2019 had only 1 furnace i.e. SG1 in operation, which resumed production in December after rebuild. As may be expected, there is a steep sales decline during this quarter compared to the previous quarter (Q4FY20) sales of Rs.94.3 Crores during which COVID affected just the last 10 days of the quarter. The quarter under review was hugely impacted by the lockdown. However, it is heartening to note that the company could come back quickly and sales in June reached almost 90% of the pre-COVID levels.

Ex-factory prices during Q1 FY2021 were lower than in the first quarter Q1 FY2019 by 4.2%. This decrease was primarily on account of responding to lower prices of dumped imports. Our business from high volume customers must compete with dumped imports. At the same time, it is critical to maintain throughput. EBITDA margin during the first quarter was 18.6%, which is lower than the normal EBITDA owing largely to the lower level of operations, sales, and lower selling prices. We expect EBITDA to normalize once market conditions stabilize. The company incurred an after-tax loss of Rs.1.9 Crores during the quarter.

Moving ahead, we believe that the prospects for the solar industry and the country are bright. The government had earlier announced a plan to install a capacity of 100 gigawatts of solar power by 2022. As of March 2020, it had installed about 37 gigawatts. So, while the 100 gigawatts target will be hard to achieve within the deadline, there is an increasing realization about the strategic importance of self-reliance in renewable energy which is being driven by solar. Long term manufacturing policy for the entire ecosystem comprising cell manufacturer modules, components for modules, including solar glass and battery storage, is critical. Government has also set a target of 300 gigawatts of solar power installations by 2030, which shows the way forward.

The current safeguard duties of 14.9% applicable on imports of cells and modules were extended by the government by 1 year till mid 2021. The government is moving towards imposition of a tariff barrier on solar cells and modules since the safeguard duty will expire by July 2021. Such a move will promote investment in manufacturing which will increase

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demand for components, including solar glass. Announcements have already been made by large developers such as Adani, Waaree, Vikram and Renew for installing solar cells and modules manufacturing capacities of 11 gigawatts which are to come up over the next 3 years in multiple phases.

There is no basic duty on import of solar glass into India though import duty is levied on imports of solar glass by producing countries for example, China, Malaysia, and Vietnam. That is to say these countries levy duties on imports of solar glass into them, but we do not levy any duty on imports of solar glass into India. These countries have undertaken a long-term strategy to promote domestic manufacturing by taxing imports. There is however, antidumping duty on solar glass imported from China, which is valid till August 2022. Unfortunately, Chinese glass imported into SEZs escapes this ADD and when modules are cleared into the domestic tariff area, no duties are being levied on the glass components separately. Almost 55% of the module manufacturing currently takes place in SEZ. This unfair loophole needs to be plugged. Imports from Malaysia have not been subjected to ADD, Chinese companies are thus routing 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 DGTR applying for levy of countervailing duty on Malaysian imports. This is to be decided by the end of the current quarter. A positive decision will help the company in controlling margin compression going forward.

During the calendar year 2019, new solar power installation in the country aggregated 7 gigawatts. It is our estimate that India will see incrementally higher new installations over each successive year hereafter. Except in 2020, which got affected due to the impact of COVID-19. Government has tendered over 30 gigawatts of capacity, which provides more than enough pipeline of business. Government has recently announced plans of 7.5 gigawatts to be set up in Ladakh. International Solar Alliance has tendered large volumes for member countries involving many nations. Thus, the installations from 2021, 2022 are likely to be over 10-12 gigawatts per annum. Currently about 45% of this demand is being met by import of modules, with the balance modules to be manufactured in India. We are a component supplier for such domestically manufactured modules. Our current capacity can service 2.5 gigawatts of the current demand of 4.5 gigawatts. We also cater to the export market which comprises about 15 to 18% of our production. That implies that we need to sell about 2 gigawatts equivalent of glass in India to fully utilize our current capacity. As domestic manufacturer of cells and modules in India grows as mentioned earlier, the head room for growth for the company will continue to expand. In this context, as I mentioned on the last call the company's board has already decide to further expand the capacity by installing a third furnace with a capacity of up to 500 tonnes per day by way of a brown field project at the current plant site in Bharuch. The details are under finalization and the final approval of the board to approve the cost of the project and means of finance may take a few months. I shall share the details as we progress.

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We are seeing a return of demand to pre-COVID levels ever since ~~second half of June~~ ^{August 21, 2020} which has further consolidated in July and is looking to be stable. During the current quarter we have stepped up our production on both lines. We are now putting in efforts to maximize the tempered glass production by further optimizing the processing facilities. The selling prices which were on a decline in the first quarter FY2021, have started to steadily come back to earlier levels. Price revisions with a significant portion of customers has already been achieved and we expect these to return to Q4 to 2019-2020 levels for others as well by September 2020. At a capacity of 450 tonnes per day, we can expect to register a monthly average revenue of Rs.40 Crores. We are hopeful of gradually moving towards achieving this number during the rest of the year, barring any unforeseen circumstances.

At full production and sales, the EBITDA margin percentages are expected to also move up to around mid 20's. We hope to come back to at least the pre-COVID levels from the second quarter of FY2021.

I will pause here and open the floor to questions that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kishore Agarwal, an individual investor. Please go ahead.

Kishore Agarwal: Hi. Thank you for the opportunity. I had two questions. First one is a broader question and the second one is a more specific question. Going forward due to plan to be only a solar glass manufacturer or do you also want to capture the entire solar value chain by producing solar cells and modules as well. My second question is you are guiding for an EBITDA margin in the mid 20s, but when I look at your competitors from China, they have EBITDA margins in the range of 40%. You claim to be one of the lowest cost producers, so why is there such a huge gap between the margins? Those are my questions.

P.K. Kheruka: To answer your first question, we are currently focused on the growth available in the business of solar glass. So, we are not looking at going on to other avenues of the solar value chain. To answer your second question, the fact is that we are indeed running in a very high cost environment. The price of gas and the price of electricity is very high. The price of electricity is nearly twice the price which is there internationally. These matters are currently under discussion with the government and there is some discussion about bringing the cost of power down to international levels which would definitely give a boost to our overall margin level. I hope that answers your question.

Kishore Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Bipin Metha from Elixar Equities. Please go ahead.

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Bipin Metha:

Good morning. Sir is it a fair understanding that unless you get government protection in the form of custom duty, physical or otherwise, the entire manufacturing operation is unviable or provides very low rate return on investment?

P.K. Kheruka:

At this movement, as we speak, there is absolutely no protection from any kind of duties or subsidies for glass coming in from Malaysia as I have noted in my opening remarks. The bulk of the glass coming into India is coming from Malaysia, which suffers no duty. Yet we estimate EBITDA margins percentages in the mid-20's. So, I would say that we are not entirely dependent on them, but undoubtedly if the country is to progress and be self-sufficient, the kind of capital investment it will require would be quite large. For that a very visible horizon would be much better for the country to progress on that path.

Bipin Metha:

How can say about 20% margin, you just about broke even in the last quarter?

P.K. Kheruka:

Last quarter I think has been a little unreal, has it not? Last quarter we just about broke even but what about the rest of the world? People crashed in the last quarter. We had no production for a long period of time during the quarter. We were running on half production. So, I do not see last quarter as any kind of a benchmark for anybody anywhere in the world.

Bipin Metha:

Last quarter was subdued Sir. Even December quarter was subdued 75 Crores and 87 lakhs loss, so if you feel the business has so much potential and you are hoping you get 20% kind of operating margin, then at some point of time at least even before COVID we should have seen some kind of a result coming in from the company?

Ashok Jain:

We started production from the second line only in December. We started getting production from two lines in December 2019 and the March 2020 quarter was the first quarter in which we would have given full quarter performance, but that was affected because of COVID for nearly 10-12 days. Had this interruption not happened, the turnover in the March 2020 quarter would have been Rs. 102 to 105 crores instead of Rs. 94 Crores. That is the run rate that we should be looking at. In March quarter, we had an EBITDA margin of 22.6%. That could have easily gone up by another 100 bps from that additional turnover. These are numbers that we have already achieved. What we are saying now is that we are increasing the production further and reducing some costs. That will get added to that EBITDA % that we already registered in the March quarter. So, going forward the margins will be improving as compared to the March 2020 quarter. I would like to add regarding the issue of protection. The way to view this is to see that what is coming into the domestic tariff area. Most of the material coming from China comes to SEZ where there is no duty and the material which comes from Malaysia comes free of any duty directly into the domestic tariff. So, the bulk of solar glass imports into India escapes any duty imposition. With having manufacturing operations in both China and Malaysia, they know

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how to play the game well. So, virtually there is no protection from the perspective of
antidumping or other import duties..

- Bipin Metha:** I get your point Sir, but the companies which are engaging in setting up solar power plants have a far more powerful lobby than the actual equipment manufacturers. From their point of view, they would prefer cheaper imports and that tussle will always remain. So, I do not know how the management will manage that particular environment because the players who are setting up these solar power plants have also invested a huge amount of capacity and they will prefer to keep the cost of those capacities on the lower side so that they can compete and offer power at a cheaper rates which is what essentially is for the overall good for the country. So, there are anomalies in the entire process right from equipment to supply of power and in this particular anomaly, I think that the government may like to live with lower power cost than provide protection to a company such as yours. Just want your view on this.
- Ashok Jain:** You are right in your remarks, but as Mr. Kheruka has already mentioned in his opening remarks, there is a 11 gigawatts capacity coming up and you know who are setting up these capacities. It is the developers who are taking the plunge into manufacturing - it is Adani Power, it is Renew who are developers, Vikram is also a producer and developer. So, the developers are entering the mainstream, which implies that they will not be looking at things from one angle only as they will also like to expand the manufacturing base in India. There is a concern that in order to have a long and sustainable program of solar power there is a need to develop the entire ecosystem in India. A balance will have to be drawn and the government is now favoring the production of energy equipment and solar power equipment and all the components within the country.
- Moderator:** Thank you. We will take the next question from the line of Naveen Bothra, an individual investor. Please go ahead.
- Naveen Bothra:** Good morning Sir. My first question refers to the last call where you said to bring down the power and fuel cost, we are going to invest in our own solar power capacity. Can you share the update about that?
- P.K. Kheruka:** Sure. Mr. Ashok Jain will you answer that question?
- Ashok Jain:** We have already taken the initiative to set up the solar power generation at the factory. It has been planned in two modes. One is on the roof top, which is available at the company factory. The second is on the ground, which is also available. This is under way now and in the first phase we are going to do the roof top solar which will be close to 1 megawatt. Another 3.5 megawatt we will implemented in the open area which is available. So, that will be in phase 2.

Ashok Jain:

Well it will be about Rs. 12-13 Crores as I can see it.

Naveen Bothra:

So that it will help in reducing the blended power and fuel cost?

Ashok Jain:

Yes, that is the idea.

Naveen Bothra:

Okay can you share the debt levels as on 30th June gross and net debt?

Ashok Jain:

Yes, it is about Rs. 82 crores, term loans.

Navin Gothra:

We have reduced around 3 crores in this quarter?

Ashok Jain:

Yes.

Navin Gothra:

Okay. Thank you all the very best.

Moderator:

Thank you. The next question is from the line of Durv Kashap, an individual investor. Please go ahead.

Durv Kashap:

Good morning Sir and great to interact with you again. I just had one clarification that when you mentioned solar cell module, solar module and solar cells, I am to understand that there is no antidumping duty on solar glass panels?

P.K. Kheruka:

Actually, for the solar glass coming in from China, there is an antidumping duty. There is solar glass coming in from Malaysia as well on which there is no antidumping duty. We have an application filed with the government for levy of countervailing duty on imports of solar glass from Malaysia on which all hearings have been held and we are waiting for the decision.

Durv Kashap:

How does it work the other way around, so do we have the wherewithal to be able to be an exporter?

P.K. Kheruka:

We are an exporter. We are exporting about 20% of our production to Europe in particular, to Germany, Italy, Spain, France, Poland. These are some of the countries. We are also exporting solar glass to the United States.

Durv Kashap:

Okay and Sir my last question is since solar is such a big thing and there are so many like Vikram Solar, Adani so many such companies. On what basis do they determine who to really source from? One obviously will be commercials where you are as cheap as the

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Chinese or Malaysian products. But are there other factors like for example accessibility, serviceability and so on and so forth, something that can help you overcome cost disadvantage?

P.K. Kheruka:

We offer great flexibility to the user by being located in India because first of all when they are importing from China they very often have to deposit 30% of payment for the entire contract value before Chinese will accept the order for shipment. They have to open a 70% letter of credit and so on, so that money is blocked for them for a while. Then the questions about the shipment is that there is no precision in terms of the date on which they will get the shipment so the importer has to have a significant amount of warehousing space for the imported glass. When they are ordering from us we give them a certain date and we stand by the date. The predictability is higher. The whole financing for the purchase of solar glass is much better when dealing with an Indian vendor like us., There is a lot of convenience there. Plus, if there is a problem with glass, which is not very often, then we can arrive at the place within 24 hours to see what the issues are. So, those people who are buying from us routinely would normally not go in for imports. The people who are very large buyers sometime go in for imports. But the government attitude is changing very, very greatly and the push for manufacturing glass in India, not just glass, but all solar components in India, has come from none other than the Prime Minister himself according to what we know. Prime Minister has demanded that this should all be made in India. So, everybody has gotten cracking on it after that. This was sometime in early June that this order has come down and since then they have been working on these. We personally believe that Indian manufacturing is going to be very important going forward.

Durv Kashap:

Thank you so much Sir and very insightful and informative. Thank you and all the very best.

Moderator:

Thank you. The next question is from the line of Sharan Nandikur, an individual investor. Please go ahead.

Sharan Nandikur:

Hello sir. Thanks for the opportunity and hope you are all safe. I just finished Borosil limited call as well. I am equally optimistic about both the Borosil companies outlook. So just have couple of questions to ask. One, is there any long-term strategic partnership with companies like BHEL and other government sector companies which are also planning for huge solar implementation plans and the second question is assuming that there is no import duty set on the import from the Malaysia maybe in the next 3 or 4 months will the growth still be as per the plan or will there be any impact? The third question do you have any other innovative plans - there is much talk going on like having solar on the train, solar cars, and other automotive vehicles as well. Everything is going to be run on solar in the future. So, considering those points do you have any other innovative product plans for the future?

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So, to answer your first question, which is regarding the situation in case there is no levy of duty, the fact is that till today there is practically no levy of duty as Mr. Ashok Jain just explained. When goods are being imported from China into India they are going to the SEZs where there is no import duty at the time of import and there is also no duty on the glass at the time of clearance into the domestic tariff area, so effectively we are not getting any benefit of antidumping duty on glass coming in from China. And there is no duty on import of glass from Malaysia. Despite that we are surviving and we are growing as well. We have doubled our production and we are looking at doubling it further. The question is that this puts a bit of a break on the growth and the WTO provides that any kind of subsidy received by somebody should be taxed by the importing country or it can be taxed. So, we are taking those regulations into account while applying for the import levies on these products. If we receive them, the profitability will bounce up further and we would be able to go with our expansion program to enhance the capacity. I mentioned that in the next 2 years, we expect there would be 11 gigawatts of demand of solar glass. We are only doing 2.5 currently with two furnances, so there is a lot of scope for growth in terms of demand. We must wait patiently and see what the outcome of the initiatives taken for getting clarity in the costing. The next question which you asked about was the different avenues for usage of solar power. I personally believe that the big thing is going to be electric vehicles all right. There will be an ocean of demand in that and solar power is probably going to be the only way you can do it because anybody can set up solar power in his backyard. You cannot set up a windmill. You can set up a windmill only in specific places. Therefore solar power is going to be very, very important. I cannot even begin to make any estimate of the reality that I can see. The usage whether it is on a train, or a car or anything is not something that we are getting involved with. We have decided to remain focused on solar glass production, but definitely all the things that you are saying are very much part of the thinking and I believe these are all going to happen.

Sharan Nandikur:

Thank you Sir and the other question was that do you have any long-term strategic partnership with government sectors like railway, BHEL or NTPC, are is through the other developers?

P.K. Kheruka:

No, Bharat Heavy Electricals Limited is a manufacturer of solar panels and we are working directly with them. They work on tenders so there is no real long-term partnership in that sense. Of course when we are suppliers to them for so many years now for nearly 10 years, we have very good relations with them and our glass is very well accepted by them. So, as and when they have a tender, we offer. NTPC is not manufacturing modules, so in that sense they are not a customer. I mean they are people who setup solar farms, so we do not really come into the picture over there. Our role ends when the module has been made.

Sharan Nandikur:

Sure, and one last questions Sir. Just like doubling the capacity you said that you are going to raise funds to increase the capacity, by when that will be operational like a year or so or?

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P.K. Kheruka:

I would not like to give any very firm date on that but we are preparing a project report for the whole feasibility, the cost of this project very aggressively and maybe by the end of this year we will take a decision on the matter.

Sharan Nandikur:

Thank you very much Sir. Thanks for the time and I wish you all the best.

Moderator:

Thank you. The next question is from the line of Kiran, an Individual Investor. Please go ahead.

Kiran:

Thank you for the opportunity. I had couple of questions. First question is about the capacity utilization. On the last con call, you mentioned that both furnaces have started running and so in a complete quarter with full capacity utilization we should get about Rs. 30 to 35 Crores a month. So, can you assume that Q2 will be achieve such numbers?

P.K. Kheruka:

I cannot guess. It is not nice to predict but we would imagine that the number you mentioned is something that ought to be achieved provided nothing untoward happens for Q2.

Kiran:

Okay and if I look at your Q1 as a percentage to sales was a bit lower, generally have raw material cost as percentage to sales around 28 to 30% January March was 28 and April to June comes out to be 17% whereas your power cost as a percentage to sales has jumped, and I also see more export as a percentage of total sales, does it mean for the export of thinner glasses you need to spend more energy and less material?

P.K. Kheruka:

Ashok will you answer that question?

Ashok Jain:

Yes. Your point is why is the power cost is high. As explained, for a large portion of the quarter the furnaces were kept in soak and they were not producing and consuming power. That has impacted the cost of power consumed. .

Kiran:

Okay got it and what about raw material cost, it comes quite lower, so can we expect similar level of cost in the future or it was a one off in this time?

Ashok Jain:

So, as mentioned in the opening remarks we have been able to achieve certain savings in purchase cost. We expect that number to remain at a similar percentage in this financial year. We are positive that the savings will continue.

Kiran:

Okay so lower material cost trend we would see continuing for the rest of the year?

Ashok Jain:

At least for the financial year?

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Kiran: My last question - The depreciation for January to March quarter was about 12 Crores whereas it dropped to 10 Crores. That was due to your furnaces were not utilized couple of months or is that going to be norm, a 10.5 Crores norm for the rest of quarters?

Ashok Jain: In fact, last January to March quarter, in the balance sheet we recalculated the depreciation for both the furnaces. The depreciation amount was a little higher and that is the reason in the March quarter you see little higher amount of depreciation. Going forward it is going to be similar to the April to June quarter. We are not capitalizing any depreciation because of the lower production. The entire depreciation is charged?

Kiran: Okay thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Naveen Bothra, an individual investor. Please go ahead.

Naveen Bothra: Sir my question is regarding the Europe demand. In the running quarter Q2, how is that looking like and is exports likely to remain 20% in the overall mix or likely to go up?

P.K. Kheruka: Export demand is steady. It remains as it was, so I do not expect that there should be much change in that. This whole sentiment of not buying from China is there in Europe as well. So, there might be slightly better demand going forward, but that remains to be seen. By and large our customers continue to buy from us in the way that they were.

Naveen Bothra: As regards gas energy cost what is the outlook and the current prices, is it going to impact our profitability?

P.K. Kheruka: Ashok will you answer that?

Ashok Jain: In case of natural gas it has been low, because it is linked to the oil prices which comes into effect every 6 weeks. There is news going around that the gas prices are expected to go down from \$2.39 to \$1.94. So, there may be further saving which maybe available from October onwards. In the power cost, we are going to see some benefit coming because of the investment which we had done in the SG2 plant. Certain benefits from the government are under final approval in terms of waiver of the electricity duty and concession in the rate of power. Once they are finally allowed we will accrue this additional gain.

Naveen Bothra: That we have already applied and as and when the approval comes that will be one off expenses saving for the previous...

Ashok Jain: No no, the saving is continuous for five years from the start of production.

Naveen Bothra: Okay and the energy cost as you said around 15% to 20% less from October likely?

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Ashok Jain:

The gas comes by way of three means. One is the natural gas coming from APM mechanism which is Government of India gas. Second is the imported gas linked to certain basket and third is the spot gas. What we talked about right now is government gas, which is priced at \$2.39. Other gas prices get automatically changed every 15 days. There is no other positive impact unless there is a drop in the oil prices. So, this government source of gas comprises about 1/3 of our consumption and the savings will come only on this portion.

Naveen Bothra:

So, can you safely assume that going forward 3-4 quarters down the line, overall, our fuel and power cost can come to around 10% to 15% range from the current 20% range approx in the coming 3-4 quarters.

Ashok Jain:

We have not put numbers actually because the prices are very dynamic and every 15 days the prices keep changing on natural gas. Moreover, this electricity duty benefit etc. are still not in hand. So, we have not computed potential savings, but our sense is that it will not go up.

Moderator:

Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani:

Hi Sir. Thank you for the opportunity. I had a question on your realization. What has been the prices of solar glass currently? What is your outlook going forward on the prices?

Ashok Jain:

As we have mentioned in the opening remarks, the prices have started going up once again. Prices actually dropped in the COVID times in the first quarter when there was a lot of uncertainty. The manufacturers were finding it difficult to find buyers and they started dropping prices. Prices from China and Malaysia dropped by nearly 15 to 20% in that quarter. However impact on our realization has not been significant because this part of imported glass features in certain set of customers. We believe it is only a part of their requirement. So, the impact is only about 3% in terms of the average price. If you look at the average price over the years for us has hovered around Rs.100 per square meter. Even for the current quarter the price is about Rs.98 and Rs.97. So, there has not been much change and it has already started coming up to the earlier levels.

Deepak Lalwani:

Okay Sir got it and my second question was on your capex. What will be the mode of funding for the capex Sir?

P.K. Kheruka:

That is an open question. We will take a call once the picture becomes clear few months down the line.

Deepak Lalwani:

Okay Sir. Thank you, Sir that is, it from my side.

Moderator:

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

Somaya:

Thank you for the opportunity Sir. Sir I wanted to know what is the capex amount for the new 500 tonnes period day capacity, you are planning to commission?

P.K. Kheruka:

We have sought approval from the board which has been granted and then we will be putting it for the shareholder for raising an additional 500 Crores.

Somaya:

So, it is 500 crores, so we can say it is 1 Crore for per tonne per day approximately?

P.K. Kheruka:

Yes, something like that.

Ashok Jain:

We are working out our detailed costing and will come to know in a month's time.

Somaya:

Sir I wanted to know when you say tonnes per day, what is the number of days operating days in an entire year?

P.K. Kheruka:

See we theoretically work for 365 days. The factory never stops but there are interruptions in production for various reasons. You do a machine change or there is a breakdown. So, we typically consider 330 days a year typically that is we assume that for 35 days in the year we will not get production for some reason or the other. That is rule of thumb that is taken in the glass industry worldwide.

Somaya:

Alright and is there is any way wherein you can increase the shifts or the number of hours and increase production or is it only 1 shift and cannot go beyond that?

P.K. Kheruka:

We are working 24 hours a day, 365 days a year. In our SG1 furnace we had worked continuously for nearly 9 years. From the day we started in 2010, I remember it was sometime in January, until August 2019 when we shutdown production the furnace and production simply never ever stopped.

Somaya:

So, it is two shifts, two employees.

P.K. Kheruka:

Three shifts.

Somaya:

Okay three shifts.

P.K. Kheruka:

Eight hours a shift, so 24 hours, 3 shifts a day 7 days a week.

Somaya:

Sir and when you say the average prices of solar glass are around Rs.100 per square meter what is the highest and the lowest it has gone in the last five years. Just to get idea of volatility.

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Ashok Jain:

So, as I said the prices have been hovering around that the level except for 2018-2019 where particularly the prices were higher. This is a combination of customer mix, their product needs, size and thickness needs all put together. On an average the prices have remained at around that level. In 2018-2019 it was higher by 5% or so.

Somaya:

Okay there is not much more than Rs.5 change one must not expect upside or downside?

Ashok Jain:

From the past, one can conclude that there is not much movement.

Somaya:

Okay and Sir and one last question. Custom duty comes and your realization go up and when operations become more viable do you think competitors will set up capacities or we set up the entire solar glass business, do you think the company or the sector has any means to protect it from the competitors?

P.K. Kheruka:

I would say that the demand is certainly there, if the government projections are to be believed. I do not see any reason to disbelieve the government projections, so the demand is certainly there and there is no doubt. Now comes the question about somebody coming in and setting up. This is a free country anybody can come, and they can set it up and we do not have the slightest problem with anybody doing so. We do have the advantage of having a Brownfield situation. So, we would not spend the kind of capital that somebody would have to spend on a Greenfield basis. So, on a Greenfield basis the Rs.1 Crores somebody mentioned could definitely go up quite a lot. Having said that there is no bar to anybody coming up and setting up production over here.

Somaya:

But your expertise in terms making the glass and your patents?

P.K. Kheruka:

Yes, I think our expertise is definitely there and our low-cost production definitely. So, somebody who comes in will have to be able to match that, to be competitive with us and that is not so simple.

Somaya:

Okay so when you have patents for antimony free glass and 2 mm glass if another producer comes and gives the glass at a lower price do you think these factors would differentiate the glass and the buyer would still go for the higher price glass which has lower antimony or it is thinner glass or the significance of that is not so much when the prices is lower?

P.K. Kheruka:

It all depends on customer education., When we are selling in our sister company Borosil Limited, we sell conical flasks for Rs.65. If the same flask is available from Ambala for Rs.35, customers still prefer to pay Rs.65 and go for the Borosil flask. They are just not interested in taking a risk with failure. We have a lot of faith in our own glass. We believe that it offers really good value for money and price difference in the glass if any, would not warrant somebody to shift to a lower price glass. Having said that, it is very difficult to say what tomorrow will bring. What I can say is that customers who are buying from us

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currently tend to continue to buy from us. They are quite happy to continue and I think we have that with us going in our favor.

- Somaya:** So, these features are positives, but it is not like it is game changer or something, the patents that we own?
- P.K. Kheruka:** These could become game changers in the future. For the first time people are getting to understand that antimony glass is going to be a very major problem and then momentum builds up. It took us 6 years of time to try to tell the government that solar equipment is strategic and we should not depend up on China with whom we have political rivalry. Finally after this last episode in Ladakh, the government has woken up to the fact that they should not depend upon China and that is why this push for manufacturing in India. So, it took many years but I think this seems the value of that. Likewise with the product that we make.
- Moderator:** Thank you. The next question is from the line of Harish Shiad, Retail Investor. Please go ahead.
- Harish Shiad:** This is regarding our export business. We are doing nearly 18% to 20% export to Europe and other countries and we have the regulatory constraint in the domestic market. So, is it not possible to shift more focus over to export?
- Ashok Jain:** Yes. Your point is right that there is domestic demand and export demand and which we should choose. The domestic demand growth and the opportunity is large. and Acquiring a customer is easier compared to the export market. In the export market, we spend many months or years to get one customer and they do not turn out to be very large buyers. After a lot of effort, a customer when converted will provide some 4 or 5 containers of business. It is not that we are leaving that aside, but we are all the time trying to develop the markets and new customers. We are trying in Russian market or American market to grow our business and on the other hand we have a challenge of the capacity. Certainly, we can go for more exports but whatever current capacity is there, that capacity is fully utilized and going forward it is going to fall short, so we must clearly choose what we need to do.
- Harish Shiad:** I was asking what is the margin profile in the domestic market and the export market?
- Ashok Jain:** Well margin in export market is slightly better compared to the domestic market. It is not significant, but it is better.
- Harish Shiad:** Okay our product being fragile, is there any rejection owing to breakage while shipping to export markets ?



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Ashok Jain:

While glass is fragile, but what we sell is the tempered glass, which is toughened glass like that which is used in automobiles. It goes under the process of tempering and toughening. Besides, it is properly packed and stuffed in the containers so the chances of breakage are very minimal. Yes some breakage might happen, but it will be in decimal points.

Moderator:

Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for closing comments.

P.K. Kheruka:

Thank you very much for having attended this conference. Pleased to have answered the questions raised by the investors. Thank you all for having participated. I look forward to seeing you again when we are ready to present the results for the next quarter. Thank you and goodbye.

Ashok Jain:

Thank you.

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.