Borosil Renewables Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Borosil Renewables has transitioned into a global multi-location manufacturer, doubling capacity to 1,300 TPD via the Interfloat acquisition and SG-3 furnace commissioning.**	□Positive
2	**Revenue grew to 891.00 Cr, supported by a strategic shift toward a dual-engine model balancing domestic demand with European manufacturing presence.**	□Positive
3	***Operating margins face severe pressure from volatile energy costs, which currently consume 27.11% of total revenue, necessitating a 10.98 Cr strategic investment in a renewable power associate.***	□Negative
4	***Reported PAT of 71.00 Cr is of low quality, as it is heavily inflated by a 54.19 Cr non-cash bargain purchase gain and the capitalization of 12.95 Cr in interest costs.***	□Negative
5	***The balance sheet has levered up significantly with total debt surging to 421.00 Cr (0.46x D/E) to fund an aggressive asset base expansion to 1,632.00 Cr.***	□Negative
6	***Cash flow from operations (CFO) turned negative at -6.00 Cr, representing a severe divergence from PAT driven by a massive 143.00 Cr inventory build.***	□Negative
7	***Aggressive capital expenditure of 348.00 Cr has resulted in deeply negative Free Cash Flow (FCF) of -354.00 Cr, increasing reliance on external financing.***	□Negative
8	**Earnings quality is partially supported by a conservative 5-year furnace depreciation policy (54.00 Cr), which front-loads expenses to benefit future profitability.**	□Positive
9	Governance is characterized by a 0% promoter pledge and reasonable KMP pay at 1.4% of PAT, though the lack of a mandatory audit trail for FY23 is a noted lapse.	□Neutral
10	***Operational risks are elevated by inventory days ballooning to 617 days and a 300.44 Cr EPCG export obligation that creates high regulatory vulnerability.***	□Negative
11	The outlook depends on "sweating" new assets and stabilizing European energy costs to improve a currently weak ROCE of 8.13%.	□Neutral
12	Investment View: WATCH; monitor for CFO/PAT recovery >0.8x and inventory normalization before accumulation, as the firm is currently "asset-heavy and cash-poor."	□Neutral

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Borosil Renewables (BRL) is a monoline specialist in extra-clear patterned solar glass, now operating as a global manufacturer following the acquisition of the Interfloat Group (GMB) in Germany.
- **Revenue Drivers:** Growth is driven by a dual-engine strategy: capturing the domestic Indian market (supported by Basic Customs Duty) and servicing the European market through local manufacturing.
- **Cost Drivers:** The business is hyper-sensitive to volatile inputs, specifically Energy (Natural Gas) and Logistics. Power & Fuel costs account for 27.11% of revenue.

- **Industry Position:** BRL is the only large-scale solar glass manufacturer in India, acting as a price-taker against Chinese Tier-1 players, with a competitive moat based on customer proximity and "Made in India/EU" branding.
- **Expansion Plans:** The company aims to become a 2,500 TPD+ global player, betting on Green Hydrogen and Bifacial Solar trends.
- **Acquisitions:** The FY23 acquisition of Interfloat Group (Europe's largest manufacturer) was a defining move to bypass global freight issues and de-risk geographically.
- **Capacity Additions:** Combined capacity reached 1,300 TPD following the commissioning of the SG-3 (550 TPD) furnace in India and the addition of 300 TPD in Germany.
- **Segment Performance:** Revenue is split between Domestic Sales (56.72%) and Export Sales (43.28%), with 100% top-line vulnerability to the solar sector.
- **Geographical Presence:** Manufacturing bases are now established in both India and Europe (Germany), providing a strategic hedge against regional regulatory shifts.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has shifted from a defensive stance regarding Chinese dumping to an offensive "China+1" strategy by expanding its global manufacturing footprint.
- The Interfloat acquisition is framed as a strategic hedge; if Indian duties weaken, the European base provides a fallback, and if European energy prices stabilize, it becomes a high-margin specialty hub.
- There is a visible gap between high demand for solar glass and low realizable pricing due to the influx of low-priced Chinese glass capping margin expansion.
- Strategy is pivoting toward Value-Added Products (VAP), such as anti-soiling coatings and 2mm thinner glass for bifacial modules, to escape the commodity trap.
- Successful commissioning of the SG-3 furnace demonstrates strong project execution, though a "gestation lag" remains a factor in financial performance.
- Management is currently focused on "sweating the assets" and consolidation to repair ROCE rather than immediate further brownfield expansions in India.
- Long-term vision targets a capacity of 2,500 TPD+, focusing on specialized glass for high-spec European orders that Chinese commodity players may not prioritize.
- Management expresses pride in the Chairman's EY award and their "Manufacturing First" ethos, validating their global expansion strategy.
- Management is doubling down on a "Scale-to-Survive" strategy, transparently acknowledging the "brutal" pricing environment while betting the balance sheet on the premise that localized supply chains will eventually command a premium over dumped imports (Analytical Verdict: Cautiously Expansionary).

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2023	Mar 2019
Sales -	891.00	762.00
Sales Growth %	0.00	20.39
Expenses -	748.00	653.00
Material Cost % -	17.58	34.55
Raw material cost	211.00	344.00
Change in inventory	-54.00	-81.00
Manufacturing Cost %	37.62	21.15
Employee Cost %	13.46	11.86
Other Cost %	15.25	18.17
Operating Profit	143.00	109.00
OPM %	16.00	14.00
Other Income -	19.00	34.00
Exceptional items	2.13	1.54
Other income normal	17.25	32.96
Interest	8.00	6.00
Depreciation	54.00	45.00
Profit before tax	101.00	92.00
Tax %	30.00	35.00
Net Profit -	71.00	60.00
Profit from Associates	0.00	0.00
Minority share	-1.00	-6.00
Exceptional items AT	1.00	1.00
Profit excl Excep	69.00	59.00
Profit for PE	68.00	54.00
Profit for EPS	70.00	54.00
Profit Growth %	0.00	20.00
EPS in Rs	5.34	5.90
Dividend Payout %	0.00	11.00

Balance Sheet (□Crores)

Line Item	Mar 2023	Mar 2019
Equity Capital	13.00	9.00
Reserves	906.00	839.00
Borrowings -	421.00	114.00
Long term Borrowings	319.00	26.00
Short term Borrowings	97.00	81.00
Lease Liabilities	4.00	0.00
Other Borrowings	0.00	7.00
Other Liabilities -	292.00	227.00
Non controlling int	23.00	77.00
Trade Payables	89.00	55.00
Advance from Customers	13.00	1.00
Other liability items	166.00	94.00
Total Liabilities	1,632.00	1,189.00
Fixed Assets -	977.00	377.00
Land	19.93	47.84
Building	229.05	121.98
Plant Machinery	891.24	274.13
Equipments	14.24	10.36
Furniture n fittings	2.86	11.15
Vehicles	7.67	9.57
Intangible Assets	0.37	17.43
Other fixed assets	20.75	5.96
Gross Block	1,186.11	498.42
Accumulated Depreciation	209.12	121.31
CWIP	70.00	137.00
Investments	11.00	230.00
Other Assets -	574.00	444.00
Inventories	265.00	191.00
Trade receivables	93.00	115.00
Cash Equivalents	133.00	14.00
Loans n Advances	17.00	9.00
Other asset items	66.00	114.00
Total Assets	1,632.00	1,189.00

Cash Flow Statement (Crores)

Line Item	Mar 2023	Mar 2019
Cash from Operating Activity -	-6.00	-25.00
Profit from operations	182.00	117.00
Receivables	4.00	-38.00
Inventory	-143.00	-87.00
Payables	-36.00	8.00
Working capital changes	-175.00	-116.00
Direct taxes	-14.00	-25.00
Cash from Investing Activity -	-116.00	-26.00
Fixed assets purchased	-348.00	-192.00
Fixed assets sold	1.00	5.00
Investments purchased	-21.00	-190.00
Investments sold	237.00	328.00
Interest received	2.00	9.00
Dividends received	0.00	0.00
Invest in subsidiaries	-82.00	0.00
Investment in group cos	-11.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	106.00	15.00
Cash from Financing Activity -	238.00	40.00
Proceeds from shares	4.00	0.00
Proceeds from borrowings	276.00	210.00
Repayment of borrowings	-18.00	-153.00
Proceeds from deposits	0.00	0.00
Interest paid fin	-19.00	-6.00
Dividends paid	0.00	-7.00
Financial liabilities	-1.00	0.00
Other financing items	-4.00	-3.00
Net Cash Flow	115.00	-10.00

Key Ratios (□Crores)

Line Item	Mar 2023	Mar 2019
Debtor Days	38.00	55.00
Inventory Days	617.00	265.00
Days Payable	208.00	76.00
Cash Conversion Cycle	447.00	245.00
Working Capital Days	42.00	69.00
ROCE %	0.00	10.00

3.2 Financial Analysis Summary

- **Revenue** reached **891.00 Cr**, incorporating significant inorganic growth from the first-year consolidation of GMB and Interfloat; the top line is split between **Domestic Sales** (**507.09 Cr**) and **Export Sales** (**386.94 Cr**), exposing the company to 100% sector-specific risk.
- **Operating Profit** margin (**OPM**) improved to **16.00%** from **14.00%**, despite **Manufacturing Costs** surging to **37.62%** of **Revenue**; this was offset by a reduction in **Material Cost %** to **17.58%**, though profitability remains highly sensitive to **Power & Fuel** expenses (**242.42 Cr**).
- **Net Profit** of **71.00 Cr** was supported by a **Bargain Purchase Gain** of **54.19 Cr** recognized in **Reserves**, which boosted **Net Worth** without generating any **CFO**.
- **CFO** remained negative at **-6.00 Cr**, a significant divergence from the **71.00 Cr PAT**, primarily driven by a massive **143.00 Cr** increase in **Inventory**; **Inventory Days** ballooned to **617 days**, with **35.76 Cr** of finished goods currently in transit.
- **Working Capital** is strained by **Advances against supplies** of **22.69 Cr**, indicating low bargaining power with vendors, although **Trade Receivables** quality remains high with 100% of the **93.30 Cr** balance aged less than 6 months.
- **Fixed Assets** (**Gross Block**) expanded aggressively to **1,186.11 Cr**, funded by **Capex** of **348.00 Cr**; this expansion is reflected in **Plant Machinery** rising to **891.24 Cr**, while **CWIP** stands at **70.00 Cr**.
- **Depreciation** of **54.00 Cr** reflects a conservative 5-year life for melting furnaces, which suppresses current **PAT** but improves future earnings quality; meanwhile, the company capitalized **12.95 Cr** of **Finance Cost** into PPE.
- **Total Debt** surged to **421.00 Cr** from **114.00 Cr** to fund expansion, resulting in a **Debt/Equity** ratio of **0.46**; the debt profile is fragmented across 9 facilities with interest rates as high as **9.40%**, leading to an **Interest** expense of **8.00 Cr**.
- **Cash from Financing Activity** provided **238.00 Cr**, dominated by **276.00 Cr** in new **Borrowings**, which was necessary to cover the **-354.00 Cr FCF** (CFO minus Capex).
- **ROCE** diluted to **8.13%** as the massive increase in **Capital Employed** (**Total Assets** of **1,632.00 Cr**) has yet to translate into proportional **EBIT** growth.
- **Other Assets** are impacted by **GST Balances** of **12.88 Cr**, which acts as a "dead" asset impacting liquidity, while **Other Liabilities** are dominated by **47.49 Cr** in **Creditors for Capital Capex**, acting as interest-free short-term financing.
- **Other Expenses** are driven by **Consumption of Stores/Spares** (**25.54 Cr**) and **Insurance** (**6.63 Cr**), reflecting high maintenance intensity and the complexities of global operations.

- Borosil Renewables is currently in a high-leverage expansion phase where inorganic **Revenue** growth and accounting gains are masking a severe **CFO** deficit caused by **Inventory** accumulation and heavy **Capex**, resulting in a business that is not yet self-funding.

3.3 Contingent Liabilities & Commitments

- **EPCG Export Obligations: 300.44 Cr** in export commitments; failure to meet these leads to duty penalties plus 15% interest.
- **Capital Commitments: 93.78 Cr** in unexecuted capital contracts for PPE, indicating ongoing heavy cash requirements.
- **Disputed Tax Liabilities: 10.41 Cr** total (Sales Tax/Entry Tax of **6.74 Cr** and Income Tax of **2.01 Cr**), currently under appeal.
- **Bank Guarantees: 21.26 Cr** outstanding for operational purposes.
- **Subsidiary Guarantees:** A subsidiary loan of **53.77 Cr** is secured by an SBLC from the parent, creating a contingent liquidity pull.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □143 Cr inventory build absorbs CFO conversion.	□	PAT □71 Cr vs CFO -□6 Cr	Note 22.1: Massive inventory increase of □143.28 Cr is the primary driver of negative CFO.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — inventory build of □143 Cr exceeds sales growth, signaling potential overstocking.	□	Inventory □265 Cr; Receivables □93 Cr	Note 13: Inventory is 29.6% of revenue; □35.76 Cr is stuck in transit.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑ — customer advances of □13.44 Cr indicate strong demand and future visibility.	□	Advance from Customers □13.44 Cr	Note 4.13: Revenue recognized on transfer of control; advances suggest high order book.
4	Revenue from related parties %	Neutral — RPTs focused on strategic power sourcing rather than circular revenue generation.	□	Investment in associate □10.98 Cr	Note 9.1: Investment in ReNew Green (GJS Two) to secure captive renewable power.
5	Inventory vs revenue growth	Profit ↓ — high inventory carrying costs; □35.76 Cr finished goods in transit delay realization.	□	Inventory □265 Cr (29.6% of Sales)	Note 13: Scrap and rejected glass stand at □14.96 Cr, posing valuation risks.
6	Inventory valuation method change	Profit ↑ — valuing scrap at raw material cost potentially overstates inventory recovery value.	□	Scrap valued at raw material cost	Note 4.5: Policy could overstate value if yield of usable glass drops significantly.
7	Exceptional items in operating profit	Profit ↓ — one-time acquisition costs of □19.31 Cr suppressed operating profit during consolidation.	□	Legal fees include □19.31 Cr costs	Note 37.3: Adjusting for these one-time costs would significantly improve normalized EBITDA.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative 5-year depreciation on furnaces accelerates expenses, understating current period PAT.	□	Furnace life set at 5 years	Note 4.2: Aggressive depreciation policy improves future earnings quality by front-loading costs.
9	Provision reversals boosting PAT	Profit ↑ — low ECL provision of □1.21 Cr assumes minimal credit risk, boosting PAT.	□	Provision □1.21 Cr on □94.51 Cr debt	Note 4.10: Simplified ECL approach used; 100% of debt is performing (< 6 months).
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax of □14 Cr vs P&L tax □30 Cr creates DTL.	□	Effective Tax Rate ~30%	Note 22.0: Tax rate is healthy and consistent with statutory norms, no aggressive maneuvering.
11	CWIP age and stalling projects	Neutral — CWIP of □70 Cr represents active plant installations for ongoing capacity expansion.	□	CWIP □70.00 Cr	Note 11: Primarily relates to Plant & Machinery under installation for the expansion project.
12	Deferred tax asset recognition adequacy	Neutral — effective tax rate of 30% suggests standard accounting for temporary timing differences.	□	Tax % at 30.00	Note 22.0: No evidence of aggressive DTA recognition to mask operating losses.

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Profit ↑ — strategic investment in associate secures captive power, mitigating volatile energy cost risks.	□	□10.98 Cr invested in associate	Note 9.1: Strategic RPT to mitigate Power & Fuel costs (27% of revenue).
14	Dividend paid vs FCF adequacy	Neutral — zero dividend payout prudent given negative FCF and heavy □348 Cr Capex.	□	Dividend Payout 0%; FCF Negative	Cash Flow: □348 Cr Capex vs -□6 Cr CFO necessitates cash conservation.
15	Bargain Purchase Gain	Profit ↑ — non-cash gain of □54.19 Cr inflates equity and PAT without cash inflow.	□	Gain of □54.19 Cr (Note 50)	High-judgment area involving fair valuation of overseas assets in a foreign jurisdiction.
16	Capitalized Interest	Profit ↑ — deferring □12.95 Cr of finance costs to the balance sheet instead of P&L.	□	□12.95 Cr capitalized (Note 4.2)	Boosts current PAT by deferring interest expenses to future depreciation cycles.
17	Managerial Remuneration Compliance	Neutral — □1.00 Cr paid pending shareholder approval.	□	Note 34.1	Governance lag; payment made prior to formal shareholder nod.
18	Audit Trail Facility	Neutral — Edit log facility not enabled for FY23.	□	Auditor's Other Matter	Regulatory tracking missing as requirement was only mandatory from April 1, 2023.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit opinion type:** Unqualified. * **Bargain Purchase Gain:** The Group recognized a gain of 54.19 Cr (Note 50) from the acquisition of GMB/Interfloat. Auditor's concern focused on the fair valuation of identifiable assets and liabilities in a foreign jurisdiction. Management used independent valuers to justify the purchase price being lower than net asset value. * **Internal Financial Controls (IFC):** Auditor issued a clean opinion but explicitly highlighted "inherent limitations" including the risk of management override of controls, particularly critical in a promoter-led structure. * **Audit Trail:** Auditor noted that the "Audit Trail" (edit log) facility requirement for accounting software is only mandatory from April 1, 2023; thus, FY23 records lack this specific regulatory tracking. * **Going Concern:** No material uncertainty noted; however, the auditor highlighted significant repayment pressures starting FY 2024-25. * **Auditor Fees/Professional Spend:** Legal and Professional fees surged to 35.26 Cr, which includes 19.31 Cr in one-time acquisition-related professional costs.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | |-------|--------------|--------|----------------|---------| | ***ReNew Green (GJS Two) Pvt Ltd*** | Associate | Investment for Captive Power | 10.98 Cr | □Strategic but locks capital in a related entity. | | ***KMP (Unnamed)*** | Management | Remuneration pending approval | 1.00 Cr | ***Governance lag; payment made prior to shareholder nod.*** | | **Borosil Limited** | Promoter Company | ESOPs for transferred employees | 0.97 Cr | Neutral; legacy of 2020 Scheme of Arrangement. |

- **RPT Risk Checks:** % of Revenue is 1.34% (Low). CFO is negative, making CFO-based ratios N/M.
- **Red Flag Filters:** ESOPs are being granted to employees of "Borosil Limited" (separate entity) using Renewables' equity. 10.98 Cr invested in an associate to secure energy represents a diversion of manufacturing capital into a utility-linked entity.

- **Promoter Stake:** The Kheruka family and associated trusts hold a dominant stake, with the Pradeep Kumar Family Trust and Bajrang Lal Family Trust each holding 19.62%.

C. Shareholding | Quarter | Mar 2023 | Dec 2022 | Sep 2022 | Jun 2022 | Mar 2022 | |:---|---:|---:|---:|---:|---:| | **Promoters** | 61.65% | 61.65% | 61.65% | 61.65% | 61.73% | | **FIIs** | 4.88% | 4.83% | 5.09% | 5.23% | 5.37% | | **DIIs** | 1.15% | 1.14% | 1.14% | 1.14% | 1.14% | | **Public** | 32.32% | 32.38% | 32.12% | 31.98% | 31.76% | | **No. of Shareholders** | 2,19,455 | 2,21,113 | 2,22,572 | 2,22,661 | 2,21,127 | * **Pledged shares by promoter:** 0.00%.

D. Board Composition + KMP Compensation * **Chairman:** Pradeep Kumar Kheruka (Executive). * **KMP Total Remuneration:** 1.00 Cr (part of a larger total; 13.21 Cr in prior year). * **YoY Growth:** N/A (due to partial disclosure). * **% of EBITDA:** 0.70% (based on 143 Cr EBITDA). * **Governance Lag:** 1.00 Cr of remuneration is "pending shareholder approval," signaling payments processed ahead of formal compliance. * **Revenue Correlation:** EBITDA declined by 28.23% YoY while management prioritized inorganic growth via 19.31 Cr in acquisition professional fees.

F. Capital Allocation & Capex | Action | FY 2023 (Cr) | FY 2022 (Cr) | % of CFO | Signal | |:---|---:|---:|---:|:---| | ***Capex (Fixed Assets Purchased)*** | 348.00 Cr | 109.00 Cr | N/M | □| | ***Acquisitions (Subsidiaries)*** | 82.00 Cr | 18.00 Cr | N/M | □| | ***Net Debt Change*** | 258.00 Cr | -324.00 Cr | N/M | □| | ***Interest Payments*** | 19.00 Cr | 41.00 Cr | N/M | □| | **Equity Issuance** | 4.00 Cr | 191.00 Cr | N/M | □| | ***Working Capital Investment*** | 175.00 Cr | Not disclosed | N/M | □|

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex:** Ratio is -0.018x. The company cannot self-fund even maintenance capex. * **Nature of Capex: Growth capex is dominant, with 891.24 Cr now sitting in Plant & Machinery, a massive jump from the prior year.** * **Capex Deployment Efficiency:** Revenue grew to 894.03 Cr, but the **348 Cr capex** has yet to yield positive operating cash flow, indicating a significant gestation lag. * **Key Takeaways:** The acquisition of Interfloat and the SG-3 project have doubled the asset base, but the **143.28 Cr inventory spike** suggests the company is struggling to move the increased output.

H. Risks * **Energy Sensitivity (□High):** Power & Fuel costs at **242.42 Cr** (27.11% of revenue). A 10% hike wipes out 24 Cr of PBT. * **EPCG Obligations (□High): 300.44 Cr** in export commitments. Failure leads to duty penalties + 15% interest. * **Inventory Bloat (□High):** Inventory at **264.69 Cr** (29.6% of sales). **143 Cr** cash lock-up; risk of valuation write-downs. * **Debt Repayment (□Medium): 156.74 Cr** due in FY25-26. Requires immediate CFO turnaround to avoid refinancing risk. * **CO2 Liabilities (□Medium): 6.06 Cr** provision for emissions in EU operations. * **Bargain Purchase (□Medium): 54.19 Cr** non-cash gain inflates equity without providing liquidity.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	Monoline solar glass; 100% sector risk; price-taker vs China.	Stable demand but limited pricing power and high cyclicality.
Financial Health	2	↓	D/E 0.46x; CFO -6 Cr; FCF -354 Cr.	Negative CFO and heavy reliance on debt for expansion creates liquidity risk.
Earnings Quality	2	↓	CFO < PAT; 54.19 Cr non-cash bargain gain; 12.95 Cr interest capitalized.	Profits are heavily supported by non-cash accounting gains and interest capitalization.
Management & Governance	3	→	0% Pledge; 1 Cr KMP pay pending approval; ESOPs to promoter entity.	Generally compliant but minor governance lags and non-routine RPTs noted.
Capital Allocation & Earnings Visibility	2	↓	ROCE 8.13%; Capex 348 Cr; Inventory Days 617.	Reinvesting aggressively with uncertain near-term returns and high gestation lag.

BUSINESS POSITIVES (for this company this year) * □**Global Scale:** Successfully doubled capacity to 1,300 TPD and established a manufacturing base in Europe via the Interfloat acquisition. * □**Revenue Growth:** Revenue reached 891.00 Cr, supported by a strategic shift to a dual-engine domestic and export model. * □**Strategic RPT:** Invested 10.98 Cr in a renewable power associate to mitigate volatile energy costs (27% of revenue). * □**Conservative Depreciation:** 5-year furnace life accelerates expenses, improving future earnings quality by front-loading costs. * □**Order Visibility:** Customer advances of 13.44 Cr indicate strong demand and a healthy order book.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Cash Flow Deficit:** CFO is negative (-6.00 Cr) despite a PAT of 71.00 Cr, primarily due to a 143.00 Cr inventory build. * □**Inventory Bloat:** Inventory Days ballooned to 617 days, with 35.76 Cr of finished goods stuck in transit. * □**High Leverage Expansion:** Total Debt surged to 421.00 Cr to fund a 348.00 Cr capex program that is not yet self-funding. * □**Regulatory Risk:** Massive EPCG export obligations of 300.44 Cr create high vulnerability to global trade barriers. * □**Accounting Gains:** 54.19 Cr of the Net Profit is a non-cash "Bargain Purchase Gain," which does not contribute to liquidity.

OVERALL SCORECARD SUMMARY Borosil Renewables is in a high-risk, high-conviction expansion phase, characterized by a "Scale-to-Survive" strategy that has significantly strained its financial health. While the company has successfully achieved global manufacturing scale, its earnings quality is currently weak, masked by non-cash accounting gains and a severe inability to convert profits into operating cash flow. The trajectory is currently stable but fragile, as the business is heavily dependent on external debt and favorable regulatory environments to sustain its massive capital commitments and inventory levels.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued (p.218).
2	Promoter pledge = 0?	□	0.00% pledge reported.
3	KMP pay < 5% of PAT?	□	KMP pay (disclosed portion) is ~1.4% of PAT.
4	RPT quantum < 5% of revenue?	□	RPTs at 1.34% of revenue.
5	Board > 50% independent?	□	Not fully disclosed in snippet.
6	At least 1 woman director?	□	Not fully disclosed in snippet.
7	No statutory dues outstanding?	□	No major defaults noted; 0.61 Cr paid under protest.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Not enabled for FY23 (mandatory from April 2023).
10	Frequent Auditor change	□	No frequent change noted.
Final line: "Total: 7/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: A high-leverage bet on global solar glass dominance, transitioning from an Indian exporter to a multi-location manufacturer to hedge against Chinese pricing pressure.

OVERALL STANCE: WATCH

RATIONALE: The massive gap between PAT and CFO, coupled with extreme inventory bloat and debt-funded expansion, requires evidence of asset sweating before accumulation. RE-EVALUATE WHEN: CFO/PAT > 0.8x and Inventory Days drop below 300. BULL CASE: Stabilization of EU energy prices and successful 2mm glass adoption drives OPM to >20% and ROCE to >15%. BEAR CASE: Sustained Chinese dumping or failure to meet 300 Cr EPCG obligations leads to duty penalties and a liquidity crunch. KEY MONITORABLE: Inventory Value: 265 Cr → Watch for any write-down of the 14.96 Cr scrap/rejected glass.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Deleveraging (Debt reduced to ₹252 Cr; D/E 0.25x).	Re-leveraging (Debt surged to ₹421 Cr; D/E 0.46x).	The company has pivoted from balance sheet repair to aggressive debt-funded global expansion.
Earnings Quality	High (CFO of ₹100 Cr vs. PAT loss of ₹87 Cr).	Low (Negative CFO of -₹6 Cr vs. PAT profit of ₹71 Cr).	Reported profits are currently "paper gains" heavily reliant on a non-cash ₹54 Cr bargain purchase gain.
Working Capital	Inventory Days at 203; manageable growth.	Inventory Days at 617; extreme bloat.	A massive inventory pile-up suggests severe post-acquisition logistics bottlenecks or a failure to move new capacity output.
Margin Trajectory	Pressured by freight (92% increase) and core manufacturing losses.	Supported by inorganic consolidation and material cost reductions (17.5%).	Operating margins are being artificially stabilized by accounting adjustments and one-time gains rather than core operational efficiency.
Management Tone	Defensive transition and capacity building (SG-3).	Offensive "Scale-to-Survive" and global "China+1" strategy.	Management has shifted to a high-stakes manufacturing-first ethos, betting the balance sheet on localized supply chain premiums.

7.2 Persistent Patterns

- **Monoline Product Risk**: The company remains 100% dependent on the solar glass sector, leaving it entirely vulnerable to industry-specific cyclicality and Chinese pricing pressure.
- **Extreme Energy Sensitivity**: Power and fuel costs remain a structural margin killer, consistently representing a massive portion of revenue (16.5% in Summary A, rising to 27% in Summary B).
- **Heavy Regulatory Export Burden**: The company consistently carries massive EPCG export obligations (₹213 Cr to ₹300 Cr), creating a permanent regulatory hurdle and penalty risk.
- **Negative Free Cash Flow (FCF) Trend**: Despite varying PAT levels, the company remains unable to self-fund its growth, requiring constant external capital (equity or debt) to cover capex.
- **Aggressive Depreciation Policy**: Management consistently applies a conservative 5-year useful life for furnaces, which suppresses current-period earnings but improves long-term earnings quality.
- **High Gestation Lag**: Massive capital reinvestment (doubling the asset base) has consistently failed to yield immediate positive **ROCE**, which remains near zero or negative across both periods.
- **Governance Friction in Compensation**: Executive remuneration remains high or grows aggressively relative to operational performance, often requiring or pending shareholder approval despite margin stress.

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