Borosil Renewables Ltd — FY 2022 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Borosil Renewables maintains a dominant domestic position in the monoline solar glass segment, though it is currently transitioning through a high-stakes global expansion phase via the Interfloat Group acquisition.**	Neutral
2	***Revenue growth decelerated sharply to 7.66% YoY (1,476 Cr) from 53.87% in the prior period, indicating a significant cooling of top-line momentum.***	Negative
3	***Operating margins are under severe pressure from a 92.5% surge in freight costs and rising energy prices, leading to a net loss of 87 Cr and negative ROCE of -4%.***	Negative
4	**Despite accounting losses, cash flow from operations (CFO) remains resilient at □100 Cr, driven by high depreciation add-backs and strong cash conversion.**	Positive
5	**The balance sheet has been significantly de-risked through equity-funded deleveraging, reducing Total Debt from □576 Cr to □252 Cr and bringing D/E down to a conservative 0.25x.**	Positive
6	***Working capital is strained by inventory bloat, with inventory days at an elevated 203 and finished goods value increasing by 241% YoY.***	Negative
7	**Asset quality remains high with 95.1% of trade receivables classified as "Not Due" and zero undisputed debts outstanding for over six months.**	Positive
8	***The company faces massive capital commitments of 203.34 Cr and EPCG export obligations of 213.70 Cr, creating significant execution and regulatory pressure.***	Negative
9	***Governance is generally transparent with low related party transactions (2.5%), but managerial pay grew 60.5% to 13.21 Cr despite the company reporting a net loss.***	Negative
10	**A 287% spike in customer advances (□31 Cr) serves as a leading indicator for strong future demand and potential volume recovery.**	Positive
11	**The outlook is contingent on the successful integration of European assets and the timely sweating of the SG-3 capacity to offset high fixed costs.**	Neutral
12	**Investment Stance: Watch; key monitorables include the reduction of inventory days below 120 and the recovery of OPM to double-digit levels.**	Neutral

1. Business overview (In Bullet Points)

- **Business Segments:** Borosil Renewables Limited (BRL) is a monoline specialist manufacturing low-iron textured solar glass, primarily used in solar photovoltaic (PV) modules.
- **Revenue Drivers:** Driven by global solar capacity additions, the domestic "China + 1" strategy, and the volume of module manufacturing in India. Revenue is highly sensitive to the pricing of imported glass from China and Malaysia.
- **Cost Drivers:** Major costs include Energy (Natural Gas/Power), Soda Ash, Silica Sand, and Outbound Logistics. Power & Fuel represent 16.5% of revenue, while Freight Outward consumes 8.14%.
- **Industry Position:** Occupies a unique, quasi-monopolistic position as the first and only large-scale solar glass manufacturer in India (FY22), competing globally against dominant Chinese players.

- **Expansion Plans:** Transitioning from a domestic manufacturer to a trans-continental producer through the massive SG-3 project in India and international acquisitions.
- **Acquisitions:** Announced the acquisition of 100% stake in the **Interfloat Group** (GMB and Interfloat), the largest solar glass manufacturer in Europe, providing an immediate manufacturing footprint in the EU.
- **Capacity Additions:** Ongoing brownfield expansions (SG-3) and the Interfloat acquisition signal intent to scale for the anticipated 30-40 GW annual domestic solar installations.
- **Segment Performance:** Operates in a single segment (Flat Glass). Revenue grew 7.66% to □1,476 Cr (Mar 2025), showing a deceleration from the previous 53.87% growth.
- **Geographical Presence:** India contributes 81.36% (□524.11 Cr) of sales, while **Outside India (Exports)** contributes 18.64% (□120.11 Cr).

2. Management commentary & outlook

- Management has shifted the narrative from "establishing the business" to "global dominance," positioning BRL as a diversified global supplier to navigate different trade regimes like Anti-Dumping Duties and Carbon Border Adjustment Mechanisms.
- The acquisition of Interfloat is a strategic hedge against regional policy risks and high freight costs, providing access to a premium, ESG-conscious customer base in the EU.
- Management targets India’s 500 GW non-fossil fuel goal by 2030, emphasizing "Self-reliance" (Atmanirbhar Bharat) and the "pull effect" created by the domestic PLI scheme for module manufacturing.
- Strategy involves countering Chinese oversupply through geographic diversification and a technological focus on thinner (2.0mm) and bifacial glass, which command higher margins.
- Guidance suggests robust demand visibility, positioning BRL as a critical strategic partner to module OEMs looking to de-risk supply chains from China.
- The successful signing of the Interfloat SPA demonstrates high execution agility, though management faces the challenge of integrating European technical standards with Indian cost efficiencies.
- Management highlights the "First Mover" advantage in India, offering shorter lead times to domestic manufacturers compared to imports.
- Long-term vision focuses on scaling rapidly to meet domestic demand while managing a cross-border entity with varying labor laws and energy cost structures.
- Management Tone: Visionary and Aggressive. The leadership is in a "high-growth" mode, catalyzed by a transition toward a modern, globalized strategy following the passing of the founder. While successfully leveraging its "only-player" status in India to fund a global footprint, management tends to downplay integration risks and margin pressure from volatile input costs in favor of the growth narrative.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	1,476	1,371
Sales Growth %	7.66	53.87
Expenses	1,418	1,313
Material Cost %	28.97	26.44
Raw material cost	391	351
Change in inventory	37	12
Manufacturing Cost %	41.71	42.24
Employee Cost %	14.26	15.94
Other Cost %	11.12	11.13
Operating Profit	58	58
OPM %	4	4
Other Income	34	50
Exceptional items	17.09	32.22
Other income normal	17.41	17.69
Interest	32	29
Depreciation	135	132
Profit before tax	-74	-53
Tax %	17	-5
Net Profit	-87	-50
Profit from Associates	0	0
Minority share	17	3
Exceptional items AT	17	32
Profit excl Excep	-104	-82
Profit for PE	-83	-77
Profit for EPS	-70	-47
Profit Growth %	-8	-213
EPS (□)	-5.25	-3.59
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	13	13
Reserves	984	860
Borrowings	252	576
Long term Borrowings	161	419
Short term Borrowings	89	152
Lease Liabilities	1	5
Other Borrowings	0	0
Other Liabilities	205	235
Non controlling int	2	20
Trade Payables	71	83
Advance from Customers	31	8
Other liability items	101	124
Total Liabilities	1,454	1,684
Fixed Assets	777	928
Land	20.29	20.01
Building	252.06	247.57
Plant Machinery	915.09	940.59
Equipments	21.80	22.88
Furniture n fittings	5.25	4.30
Vehicles	8.09	7.33
Intangible Assets	0.37	0.37
Other fixed assets	26.44	25.68
Gross Block	1,249.39	1,268.73
Accumulated Depreciation	472.60	340.24
CWIP	135	126
Investments	50	12
Other Assets	493	618
Inventories	238	245
Trade receivables	129	123
Cash Equivalents	69	166
Loans n Advances	9	15
Other asset items	48	69
Total Assets	1,454	1,684

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	100	69
Profit from operations	76	89
Receivables	9	-13
Inventory	8	19
Payables	16	-7
Working capital changes	33	-1
Direct taxes	-8	-20
Cash from Investing Activity	-142	-215
Fixed assets purchased	-109	-217
Fixed assets sold	1	0
Investments purchased	-313	0
Investments sold	294	0
Interest received	3	1
Dividends received	0	0
Invest in subsidiaries	0	0
Investment in group cos	0	0
Acquisition of companies	-18	0
Other investing items	0	0
Cash from Financing Activity	-53	168
Proceeds from shares	191	1
Proceeds from borrowings	0	220
Repayment of borrowings	-322	-66
Proceeds from deposits	0	0
Interest paid fin	-41	-33
Dividends paid	0	0
Financial liabilities	-3	-3
Other financing items	123	49
Net Cash Flow	-95	21

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	32	33
Inventory Days	203	247
Days Payable	61	84
Cash Conversion Cycle	174	196
Working Capital Days	34	28
ROCE %	-4	-4

3.2 Financial analysis summary

- **Revenue** grew by 7.66% to □1,476.00 Cr, a significant deceleration from the 53.87% growth in the prior year, while Net Profit worsened to a loss of -□87.00 Cr; business concentration remains high in the Flat Glass segment, with Outside India (Exports) contributing 18.64% of total sales.
- **OPM %** remained stagnant at 4.00% as Material Cost % rose to 28.97% from 26.44%, while a 92.5% surge in Freight Outward costs (□52.43 Cr) significantly outpaced Revenue growth, acting as a major margin headwind.
- **Net Profit** was further pressured by Depreciation of □135.00 Cr and Finance Cost of □32.00 Cr; while □1.25 Cr of interest was capitalized for the SG-3 project, the overall interest burden remains high relative to the negative Profit before tax of -□74.00 Cr.
- **Total Debt** (Borrowings) saw a sharp reduction to □252.00 Cr from □576.00 Cr, funded by Proceeds from shares of □191.00 Cr and internal accruals, leading to an improved Debt / Equity of 0.25 from 0.66.
- **Working Capital** management shows mixed signals with Trade Receivables stable at □129.00 Cr and Debtor Days at 32.00, but Inventory remains bloated at □238.00 Cr with Inventory Days at 203.00, driven by finished goods stocking.
- **CFO** improved to □100.00 Cr from □69.00 Cr, demonstrating a positive divergence from the Net Profit loss of -□87.00 Cr, primarily aided by Working capital changes of □33.00 Cr and high non-cash Depreciation charges.
- **Capital Allocation** remains focused on expansion with Fixed assets purchased of □109.00 Cr and CWIP at □135.00 Cr; Capital Commitments of □203.34 Cr for the SG-3 project represent a significant portion of the Gross Block of □1,249.39 Cr.
- **Return metrics** are deeply negative with ROCE at -4.00% and ROE at -8.73%, reflecting the gestation period of massive new capacities and the current lack of operational profitability despite an improved Asset Turnover of 1.02.
- **Other Income** of □34.00 Cr provided a necessary cushion to the bottom line, but includes non-recurring items like government grants (□4.80 Cr) and gains on sale of Investments (□5.33 Cr), which do not reflect core manufacturing strength.
- **Advance from Customers** spiked to □31.00 Cr from □8.00 Cr, serving as a positive lead indicator for future Revenue and providing a □16.00 Cr boost to CFO through payables and advances movement.
- **Other Assets** are dominated by CWIP (□296.78 Cr) and Capital Advances (□90.50 Cr), which together exceed the existing Net Block, indicating the company is effectively doubling its size; Other Expenses are pressured by Freight Outward (92% increase) and Legal & Professional fees (□5.93 Cr) related to the QIP and expansion.
- Borosil Renewables is currently in a high-capex transition phase, where aggressive equity-funded deleveraging and massive capacity expansion (SG-3 project) have yet to translate into operational

profitability, leaving the company with negative **ROE** and ROCE despite healthy CFO and a strengthened Balance Sheet structure.

3.3 Contingent liabilities & commitments

Type of Liability/Commitment	FY 2022 (Cr)	FY 2021 (Cr)	Status
Capital Commitments (PPE)	203.34 Cr	22.17 Cr	Unexecuted; represents 73% of current Net Block.
EPCG Export Obligations	213.70 Cr	Not disclosed	Pending; obligation to maintain high export volumes.
Disputed Sales Tax	5.88	—	—

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — CFO of ₹100 Cr exceeds Net Loss of ₹87 Cr; non-cash depreciation adds back.	—	Depreciation of ₹135 Cr and working capital release of ₹33 Cr support cash flow despite accounting loss.
2	Receivables & channel-stuffing signal	Revenue ↑ — receivables + inventory grew 1.4% vs sales growth of 7.6%; no stuffing.	—	Note 13.1: 95.1% of receivables are "Not Due," indicating high collection efficiency and quality.
3	Revenue timing (advances)	Revenue ↑ — customer advances rose to ₹31 Cr; indicates strong demand and upfront cash.	—	Note 46: Customer advances are significant; lead indicator for future revenue realization in solar glass.
4	Revenue from related parties %	Neutral — minimal operational dependence on related entities; transactions are primarily for non-core services.	—	Note 41.1: Transactions with Borosil Ltd and Croton Trading are immaterial relative to ₹1,476 Cr sales.
5	Inventory vs revenue growth	Profit ↓ — inventory days at 203 remain high; suggests potential overstocking or supply chain lag.	—	Note 11: Previous year saw 81.6% inventory spike; current levels suggest slow absorption of finished goods.
6	Inventory valuation method change	Neutral — consistent application of lower of cost or NRV; no policy manipulation detected.	—	Note 3.5/11.2: Inventory valued at lower of cost and NRV; only minor write-down of ₹0.01 Cr.
7	Exceptional items in operating profit	Profit ↑ — exceptional gain of ₹17 Cr boosts PAT; non-recurring nature masks core loss.	—	P&L: Exceptional items are significant; Profit excluding exceptions is a deeper loss of -₹104 Cr.
8	Depreciation rate vs useful life policy	Profit ↑ — government grants of ₹10.92 Cr deducted from asset cost; reduces future depreciation.	—	Note 6.7: Capital grants adjusted against PPE cost, lowering the depreciable base per Ind AS 20.
9	Provision reversals boosting PAT	Profit ↑ — reversal of ECL provision boosts earnings; reflects high confidence in receivable recovery.	—	Note 40: Move to specific "Credit Impaired" model allowed reversal of general provisions.
10	Tax rate consistency	Profit ↓ — effective tax rate of 17% on negative PBT; reflects deferred tax adjustments.	—	Note 23.6: Adoption of New Tax Regime (Sec 115BAA) at 25.17% base rate governs long-term tax.
11	CWIP age and stalling projects	Neutral — CWIP of ₹135 Cr is active; 99% aged <1 year for SG-3 project.	—	Note 6.6/10: Massive expansion (SG-3) is recent; no evidence of project stalling or impairment.
12	Deferred tax asset recognition	Profit ↑ — DTA remeasurement due to new tax regime; impacts PAT through one-time adjustment.	—	Note 23.6: One-time remeasurement of DTA/DTL required upon switching to the new corporate tax rate.
13	RPT quantum and trend	Profit ↓ — managerial remuneration grew 60.5%, outpacing revenue; impacts overhead costs.	—	Note 41.1: Remuneration growth is high but remains within statutory limits despite margin pressure.
14	Dividend paid vs FCF adequacy	Neutral — zero dividend payout preserves cash for massive ₹203 Cr capital commitments.	—	Note 37.6: Cash conserved to fund SG-3 expansion and meet EPCG export obligations of ₹213.70 Cr.
15	Auditor Filing Discrepancies	Revenue ↑↓ — ₹24.66 Cr difference between book values and bank filings in Q2 FY22.	—	Management explained this as customer advances not yet adjusted against receivables; indicates need for tighter reconciliation.

#	Check	Impact	Status	Notes detail
16	Other Income Composition	Profit ↑ — 9.3% of PBT contributed by non-core items.	—	Includes □4.80 Cr government grant and □5.33 Cr gain on sale of investments; masks core manufacturing performance.

4. Management & governance

A. Auditor report & key audit matters

- **Audit opinion type:** Unqualified.
- **Impairment of Property, Plant and Equipment (PPE):** Auditor evaluated management's impairment test under Ind AS 36. Management concluded no impairment was necessary despite volatility in the energy market.
- **Expected Credit Loss (ECL) Model:** Auditor reviewed the shift to a specific "Credit Impaired" provisioning model. Management reversed 0.04 Cr of provisions, signaling high confidence in receivable recovery.
- **Bank Filing Discrepancies:** Auditors noted a 24.66 Cr difference between book values and quarterly statements filed with banks in Q2 FY22. Management responded that this was due to customer advances not yet adjusted against receivables.
- **Going Concern:** No material uncertainty noted; debt maturity is well-distributed through FY 2024-25.

B. Related party transactions

Party	Relationship	Nature	Amount (□Cr)	Concern
KMP	Management	Managerial Remuneration	13.21 Cr	60.5% YoY increase
Croton Trading	Related Entity	Purchase of Goods	1.84 Cr	Neutral
Late B.L. Kheruka	Promoter/Founder	Professional Fees	1.04 Cr	Neutral
Borosil Ltd	Fellow Subsidiary	Rent Paid	0.13 Cr	Neutral

- **RPT Verdict:** Clean. RPTs are primarily KMP compensation and minor operational costs. Total RPT volume is low (2.52% of revenue), and there is no evidence of cash leakage through loans or guarantees. All transactions are claimed at arm's length.

C. Shareholding

- [Pledged shares by promoter: Not disclosed in provided source]

D. Board composition + KMP compensation

- **EBITDA (Operating Profit) used:** □199.25 Cr (FY22 Core Operating PBT proxy).
- **Aggregate KMP Remuneration:** □13.21 Cr (60.51% YoY growth).
- **% of EBITDA:** 6.63% (High for manufacturing).
- **Revenue Correlation:** Total KMP compensation grew 60.51%, significantly outpacing revenue growth (28.3% in FY22) and Core Operating Profit growth (35.25%).
- **Family Compensation:** Professional fees to the late B.L. Kheruka (Founder) were □1.04 Cr.

F. Capital allocation & capex

Action	FY 2025 (□Cr)	FY 2024 (□Cr)	% of CFO (FY25)	Signal
Capex	109.00 Cr	217.00 Cr	109.00%	—
Repayment of Borrowings	322.00 Cr	66.00 Cr	322.00%	—
Equity Issuance (Proceeds)	191.00 Cr	1.00 Cr	191.00%	—
Interest Payments	41.00 Cr	33.00 Cr	41.00%	—
Acquisitions	18.00 Cr	0.00 Cr	18.00%	—

- **CFO Coverage of Capex:** CFO (100 Cr) is insufficient to cover Capex (109 Cr) in FY25.
- **Nature of Capex:** Primarily growth capex. **CWIP of 296.78 Cr (FY22) and Capital Commitments of 203.34 Cr (FY22) represent a massive doubling of the asset base via the SG-3 project.**
- **Deployment Efficiency:** Capex is rising, but Sales growth slowed to 7.66% in Mar 2025, suggesting a gestation lag.
- **Key Takeaways:** The company is in a high-burn expansion phase, relying on equity dilution (191 Cr) and debt to fund massive capacity additions that have yet to yield proportional revenue growth.

H. Risks

#	Risk	Category	Description	Potential impact	Severity
1	***Logistics Inflation***	Operational	Freight Outward costs increased 92.5% YoY.	Erodes OPM; freight consumes 8.14% of revenue.	High
2	***Energy Cost Volatility***	Operational	Power & Fuel costs represent 16.5% of revenue.	1% rise in energy costs reduces PBT by ~1.06 Cr.	High
3	***Export Obligations***	Regulatory	EPCG license commitments of 213.70 Cr.	Failure to export leads to duty penalties and interest.	Medium
4	***Interest Rate Risk***	Financial	2% rate hike impacts PBT by 0.98 Cr.	Higher cost of debt for the SG-3 expansion project.	Medium
5	***Inventory Overstocking***	Working Capital	Inventory grew 81.6% vs 28.3% revenue growth.	Risk of obsolescence or liquidity lock-up.	Medium

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	Monoline solar glass; 81% domestic; 7.6% growth	Strong domestic position but high product concentration and slowing growth.
Financial health	4	↑	D/E 0.25x; CFO ₹100 Cr > PAT -₹87 Cr	Significant deleveraging via equity; healthy cash flow despite accounting losses.
Earnings quality	4	→	CFO > PAT; 95% receivables "Not Due"	High cash conversion and receivable quality, though inventory is bloated.
Management & governance	4	→	Unqualified audit; low RPT (2.5%); high KMP pay	Transparent disclosures and low RPT risk, offset by high executive compensation growth.
Capital allocation & earnings visibility	3	↓	ROCE -4%; Capex > CFO; SG-3 gestation	Massive reinvestment yet to yield returns; visibility clouded by gestation lags.

Business positives (for this company this year) * **Deleveraging:** Total Debt reduced from ₹576 Cr to ₹252 Cr, bringing D/E down to 0.25x. * **Cash Flow Strength:** CFO of ₹100 Cr significantly exceeds Net Loss of -₹87 Cr, driven by high depreciation add-backs. * **Receivable Quality:** 95.1% of receivables are "Not Due," with zero undisputed debts over 6 months. * **Demand Lead Indicator:** Advance from Customers spiked 287% to ₹31 Cr, signaling strong future demand. * **Strategic Expansion:** Acquisition of Interfloat Group provides immediate manufacturing footprint in the EU.

Business negatives / concerns (for this company this year) * **Profitability Stress:** Net Profit worsened to a loss of -₹87 Cr with negative ROCE and ROE of -4% and -8.7% respectively. * **Logistics Headwinds:** Freight Outward costs surged 92.5% YoY, significantly outpacing revenue growth. * **Inventory Bloat:** Inventory Days remain high at 203, with finished goods growing 241% YoY. * **Capital Commitment Risk:** Massive unexecuted capital commitments of ₹203.34 Cr and EPCG obligations of ₹213.70 Cr. * **Revenue Deceleration:** Sales growth slowed sharply to 7.66% from 53.87% in the prior year.

Overall scorecard summary Borosil Renewables is in a high-stakes transition phase, characterized by a strengthened balance sheet through equity-funded deleveraging but currently weak operational profitability. While earnings quality is supported by strong cash conversion and high-quality receivables, the company's monoline focus makes it vulnerable to energy and logistics inflation. The governance posture is generally transparent, though managerial pay growth is aggressive. The business is on a **stable but high-risk** trajectory, where the ultimate verdict depends on the successful integration of European assets and the timely sweating of the massive SG-3 capacity.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 7/10 — Governance Rating: 4

Part c: investor verdict

Thesis: A high-leverage bet on global solar glass demand, currently sacrificing short-term profitability for massive capacity expansion and geographic diversification. **Overall stance:** Watch **Rationale:** While the balance sheet is clean, the company must prove it can translate its doubled asset base into positive ROE amidst high energy costs. **Re-evaluate when:** OPM % exceeds 12% or ROCE turns positive. **BULL CASE:** Successful integration of Interfloat and SG-3 project leads to 30%+ revenue growth and margin recovery to 15%+. **BEAR CASE:** Sustained high energy/logistics costs and Chinese dumping keep margins near zero, leading to further equity dilution. **Key monitorable:** Inventory Days: 203 → Watch for reduction below 120.