Borosil Renewables Ltd — Aug 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline on Revenue / Miss on Margins **One-line:** The core thesis of a "sole domestic beneficiary of the solar boom" is being tested by severe margin compression and capacity constraints that have allowed imports to capture 75% of the surging domestic market.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline / Miss	Rev □170 Cr (+25% YoY) is healthy, but EBITDA margin (30.2%) missed vs historical 40-50% range.	□
Earnings Quality	High (Core driven)	Performance driven entirely by 100% capacity utilization; no one-off gains noted.	□
Guidance Confidence	Neutral	SG3 expansion delayed by 3 months to Oct 2022; SG4 size increased to 1,100 TPD.	□
Management Credibility	Neutral	Transparent about expansion delays and Interfloat "leakage" issues, but pricing power is weaker than previously messaged.	□
Business Quality Signal	Deteriorating	BRL has become a price-taker; market share fell from 35% to 25% as capacity hit a ceiling during a demand surge.	□
Key Q&A Exchange	Q# Vishal Mahajan — Pricing Power	Mgmt admitted they are "marginal suppliers" (25% share) and must match landed import costs despite being the sole domestic producer.	□
The Street's Primary Anxiety	Margin Floor	How deep can margins fall as Soda Ash (+30%) and Gas (2.5x spot) costs rise while ASP is capped by Chinese imports?	□
Capital Cycle Stage	Investment	Heavy Capex phase (SG3 near completion, SG4 announced, fundraising □1,100 Cr).	□
Margin / Return Trajectory	Deteriorating	EBITDA margins compressed from 50.1% to 30.2% YoY due to inability to pass on 100% of input costs.	□
Pricing Power	Eroding	Realizations grew 4.5% QoQ vs. much higher RM/Energy inflation; limited by landed cost of Chinese/Malaysian imports.	□
FCF Conversion & Quality	Weak	Heavy Capex outflow for SG3; CFO not explicitly provided but likely consumed by WC and project costs.	□
Competitive Moat Signals	Shrinking	Moat is currently "capacity-limited"; 6 GW of new domestic competition entering by CY24 (Adani, others).	□
Balance Sheet Strength	Strong	Net debt is low (Term loan □250 Cr); raising □1,100 Cr equity to fund the next growth leg.	□
Working Capital Efficiency	Stable	Negligible interest cost suggests efficient WC management for current scale.	□
Mgmt Guidance Track Record	Mixed	SG3 delay and Interfloat "pause" create near-term uncertainty on execution timelines.	□
Key Vulnerability	Input Cost Volatility	Heavy reliance on Natural Gas and Soda Ash with limited ability to adjust ASP.	□
Management Tone	Cautious but Bullish	Pragmatic on cost pain but aggressive on doubling capacity to reclaim market share.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): Positives: * **Capacity Ceiling:** Operating at 100% utilization (449 TPD on 450 TPD capacity) with an "endless" demand pipeline for solar modules. * **Balance Sheet Optionality:** Enabling resolution to raise □1,100 Cr equity provides a massive war chest for the SG4 expansion. * **Fuel Agility:** Ability to switch between Natural Gas and Furnace Oil is providing a critical hedge against spot gas spikes (2.5x price increase).

Negatives: * **Price Taker Reality:** Despite being the only domestic manufacturer, BRL cannot lead prices; it must follow the landed cost of Chinese imports, which currently hold 75% of the market. * **M&A Overhang:** The Interfloat (Germany) deal is on "pause" following a glass leakage incident; this delays the European expansion thesis and introduces technical risk. * **Execution Delays:** SG3 (550 TPD) commissioning pushed to Oct 2022 due to global supply chain/PLC chip shortages, delaying the volume-led recovery. * **Market Share Erosion:** Share fell to 25% from 35% YoY. BRL is growing slower than the Indian solar market due to lack of immediate spare capacity.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	169.98	↑ 25%	↓ 5.06%	□	YoY growth driven by 23% volume increase; QoQ dip due to slightly lower production in April/May.
EBITDA (□Cr)	51.31	↓ 24.7%	↓ 17.8%	□	Significant compression; "abnormally high" margins of 50.1% last year are not sustainable.
EBITDA Margin %	30.2%	↓ 1,990 bps	↓ 470 bps	□	Hit by Soda Ash (+30% vs contract) and Energy costs; only partial pass-through achieved.
PAT (□Cr)	30.11	↓ 24%	↓ 35%	□	Impacted by lower operating margins and higher effective tax vs prior year.
Avg Selling Price (□/mm)	140.8	↓ 0.1%	↑ 4.5%	□	Prices flat YoY despite cost inflation; QoQ rise insufficient to cover input spikes.
Production Capacity (TPD)	450	→ 0%	→ 0%	→	Full capacity utilization (449 TPD actual draw).
Exports (incl. SEZ) (□Cr)	39.5	↑ 22.6%	Not stated	↑	23.3% of total revenue. Robust demand from Europe/USA/Turkey.
Interest (□Cr)	0.45	↓ 72%	↓ 31%	□	Low debt levels; most interest for SG3 being capitalized during construction.
Term Loan (□Cr)	250	First entry	First entry	→	Utilized for SG3 project.
SG3 Capex Estimate (□Cr)	688	First entry	First entry	□	Revised upwards from earlier estimates; reflects inflation in equipment.

2B. SEGMENT BREAKDOWN *Business operates as a single segment: Manufacture of Flat Glass (Solar Glass).*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume/ Capacity	SG3 (550 TPD) by Oct 2022; Total 1,000 TPD.	Likely; equipment arrival delayed but teams ready for Oct commissioning.	**MISSED** (Delayed from July/Aug to Oct).	Supply chain (PLC chips/Freight).
Guidance	Volume/ Capacity	SG4 (1,100 TPD) by end of CY24; Total 2,100 TPD.	High; design ready, but relies on ₹1,100 Cr equity raise.	First Entry.	1,100 TPD is a new, larger furnace design.
Strategy	M&A	Interfloat Acquisition (Germany).	On Pause; assessing "glass leakage" impact on deal structure/price.	**DELAYED** (Preferential issue withdrawn).	Technical/due diligence risk.
Macro	Regulatory	Anti-Dumping Duty (ADD) on China.	Expected renewal on Aug 17, 2022.	Track record of gov support is high.	Expiry without renewal would crash ASP.
Financial	Margins	Sustaining 30%+ EBITDA Margins.	Challenging; requires Soda Ash/Gas to stabilize or ASP to rise.	**DETERIORATING** (Down from 50%).	Input cost inflation.
Guidance	Capex Plan	₹1,400 Cr for SG4.	Needs ₹1,100 Cr equity + internal accruals/debt.	Aggressive expansion plan.	Dilution risk to shareholders.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Mohit Kumar / DAM Capital	Duties	Strategy	Current duty structure on solar glass imports.	Mgmt confirmed 0% BCD, but 10-60% ADD on China and 9.7% CVD on Malaysia exists. Protects domestic realizations but Vietnam remains a duty-free leak.	None	5.0	Clear and quantified
2	4.5	Mohit Kumar / DAM Capital	Gas	Financials	How to tie up gas for the new SG3 capacity?	BRL will use Furnace Oil for SG3 as it is currently cheaper than spot gas. Reduces margin volatility but adds fuel-switching operational complexity.	None	4.0	Directional / Specific
3	5.0	Mohit Kumar / DAM Capital	M&A	Capex	Status of the Interfloat acquisition.	Transaction is "very much there" but on pause to assess leakage damage and potentially renegotiate price/terms. Significant overhang on the inorganic growth thesis until clarity emerges.	None	3.0	Vague / Caution
4	3.5	Amit Lohia	Financials	Financials	Reason for 5% QoQ revenue decline.	Decline driven by lower production volumes in April/May despite a 4.5% increase in selling	None	4.0	Specific

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						price. Points to minor operational hiccups earlier in the quarter.			
5	4.0	Dhairya Trivedi / DJT	Capacity	Capex	Is 2,100 TPD enough given 37 GW of module demand?	Mgmt believes 2,100 TPD (12.5 GW equivalent) is sufficient as module plant utilization is typically only 50-60%. Suggests BRL is not planning SG5 until SG4 is absorbed.	None	4.0	Logical / Evidence
6	4.5	Dhruv Kashyap	Regulatory	Strategy	Confidence in ADD renewal expiring in 6 days.	Ministry of Commerce has recommended renewal; typically Ministry of Finance notifies on the last day. High-stakes binary risk for the next week.	None	3.0	Vague (Gov process)
7	4.0	Avnish Kara / VT Capital	Efficiency	Financials	Efficiency gains of 1,100 TPD vs 2x550 TPD.	Larger furnace reduces specific fuel consumption per ton of glass. Direct margin tailwind for the CY25 outlook once SG4 scales.	None	4.0	Directional
8	5.0	Vishal Mahajan	Pricing Power	Business Overview	Why is the sole manufacturer a price taker?	BRL is only 25% of the market; the other 75% is controlled by	None	5.0	Brutally honest

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						global giants 20x their size who set the price. This confirms BRL has a "protective" moat but not a "pricing" moat.			
9	4.0	Dhairya Trivedi / DJT	Competition	Business Overview	Impact of 6 GW new capacity from Adani/ others.	New players (Adani 600 TPD) will take market share, but mostly from imports or incremental growth. Thesis shift: BRL is no longer a monopoly from CY24 onwards.	None	4.0	Realistic

PATTERN FLAGS & SENTIMENT * **Pricing Power Anxiety:** Multiple analysts (Q8, Q9) pushed on why BRL isn't passing on costs despite being the sole domestic player. Management was defensive but realistic, acknowledging their "marginal supplier" status (25% share) relative to Chinese incumbents. This confirms BRL is a price-taker, not a price-maker. * **Expansion Fatigue:** Supply chain delays in SG3 and the technical "leakage" at Interfloat (Q3) have shifted sentiment from "uninterrupted growth" to "execution watch." Management remains confident but the "pause" on the German deal is a live concern. * **Input Cost Floor:** Analysts are hunting for where margins will bottom (Q2, Q7). Management's pivot to Furnace Oil suggests they are at the limit of Natural Gas affordability.

Analyst Sentiment Verdict: Analysts were **skeptical** regarding margin recovery but **impressed** by the demand visibility. The friction point was clearly the Interfloat delay and the inability to hike prices. Management's credibility on the "sole manufacturer" benefit has taken a slight hit because they are being squeezed by global pricing despite domestic demand. The single greatest risk is the ADD renewal (due Aug 17).

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (PPT/Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Interfloat Deal	Binding agreement executed April 2022.	Transaction "on pause" due to furnace leak.	Deal timeline and terms are now uncertain.	Inorganic growth delay.
SG3 Timeline	Commissioning expected "Second Quarter FY25" (PPT typo likely, meant CY22).	Delayed to Oct 2022 (Q3 FY23).	3-month delay due to supply chain.	Missed volume in Q2 FY23.
Pricing Power	Pioneer/Sole manufacturer.	"Marginal supplier" matching imports.	No independent pricing power.	Margin compression risk.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Market Share	Not available	Down to 25% (vs 35% historically)	↓ Deteriorating
M&A Status	Not available	Interfloat "Paused" from "Active"	↓ Deteriorating
Expansion Timeline	Not available	SG3 delayed from July to Oct 2022	↓ Deteriorating
Fuel Strategy	Not available	Switched to Furnace Oil from Gas	↑ Improving (Hedge)
Furnace Strategy	Not available	SG4 size increased (1,100 TPD)	↑ Improving (Scale)
EBITDA Margin	Not available	30.2% (vs 50.1% YoY)	↓ Deteriorating