Borosil Renewables Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Standalone Inline (Revenue) / Consolidated Miss (Loss) **One-line:** The long-term thesis is under significant duress as the company transitions from a protected domestic monopoly to a price-taker facing aggressive Chinese dumping, compounded by a loss-making European acquisition.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Miss	Consol. Revenue □354.5 Cr; Consol. PAT is a Loss of □11.53 Cr vs □30.1 Cr Profit YoY.	□
Earnings Quality	Low (Subsidiary Drag)	Standalone profit (□13.68 Cr) completely wiped out by Interfloat Germany losses (-□19.23 Cr EBITDA).	□
Guidance Confidence	Weak	SG-4 (1,100 TPD) expansion "On Hold" due to lack of duties; prior volume growth targets now contingent on gov policy.	□
Management Credibility	Neutral	Transparent about dumping and Interfloat repair issues, but unable to influence the policy/pricing environment.	□
Business Quality Signal	Deteriorating	Operating margins compressed by "dumping"; Interfloat asset is currently a net liability to the P&L.	□
Key Q&A Exchange	Q8 — Pricing Power	Mgmt admitted pricing premium over imports has shrunk from 7-8% to ~3% due to large customer mix.	□
The Street's Primary Anxiety	Margin Floor	When will the dumping end and when will Interfloat turn profitable? Mgmt has no clear timeline for duty re-imposition.	□
Capital Cycle Stage	Investment (Stalled)	SG-3 commissioned, but next major leg (SG-4) paused to conserve capital during the price war.	□
Margin / Return Ratio Trajectory	Deteriorating	Consol. EBITDA margin at 9.7% vs 30.2% YoY (Standalone). ROCE under pressure from idle/repairing assets.	□
Pricing Power	Eroding	ASP dropped 8.8% YoY (□128.4/mm); BRL is forced to match "subsidized" Chinese landed costs.	□
FCF Conversion & Quality	Weak	Negative Consol. PBT (-□6.99 Cr) and high Depreciation (□32.4 Cr) suggest weak operating cash flow.	□
Competitive Moat Signals	Shrinking	Moat was "Sole Domestic Producer + Duties." Duties are gone (BCD/ADD), and local competition (3 players) is entering.	□
Balance Sheet Strength	Adequate	Borrowing €24 Mn for GMB Germany; Standalone interest is rising (□7.46 Cr vs □0.45 Cr YoY).	□
Working Capital Efficiency	Stable	Inventory issues at customer level noted, but BRL's own WC remains functional for 1,000 TPD scale.	□
Mgmt Guidance Track Record	Mixed	Delivered SG-3 and GMB Repair, but failed to secure the policy protection the bull case relied upon.	□
Key Vulnerability	Policy/Dumping	Absolute dependence on Govt reinstating BCD/ADD to restore margin profile to >20%.	□
Management Tone	Cautious / Resentful	Resentful of "dumping" and policy vacuum; cautious on any further domestic capacity deployment.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives):

Positives: * **Capacity commissioned:** SG-3 (550 TPD) is operational, bringing India capacity to 1,000 TPD (56% volume growth potential). * **Technical Lead:** GMB (Germany) is the only producer of antimony-free glass, a key requirement for upcoming German solar subsidies (10 GW program). * **Demand Visibility:** Indian module manufacturing capacity is projected to hit 100 GW in 3 years, ensuring long-term offtake once the pricing crisis abates.

Negatives: * **Consolidated Losses:** The Interfloat acquisition is currently a massive drag; the furnace shutdown for repair led to a □19.23 Cr EBITDA loss this quarter. * **Pricing Power Collapse:** Domestic selling prices fell 16% YoY due to Chinese dumping. BRL's premium over imports has halved (to 3%), and they are now "marginal suppliers" in a market 75% controlled by imports. * **Growth on Hold:** The planned SG-4 furnace (1,100 TPD) is paused indefinitely until duties are re-imposed, capping the medium-term growth trajectory. * **Policy Headwinds:** Suspension of ALMM until March 2024 has allowed Chinese modules to flood the market, further depressing demand for domestic glass.

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2. BUSINESS PERFORMANCE

2B. KEY METRICS

DATA SOURCE: PPT figures primary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (□Cr)	237.82	↑ 40%	↑ 27%	□	Volume grew 56% post-SG3 commissioning; partially offset by 8.8% ASP decline.
Revenue Consolidated (□Cr)	354.50	First entry	First entry	→	Includes Interfloat (Germany). Interfloat Rev: □123.02 Cr.
EBITDA Standalone (□Cr)	56.52	↑ 10.1%	↑ 48.6%	□	Improved QoQ as SG-3 stabilized, but YoY growth lags revenue due to ASP pressure.
EBITDA Margin % (Stand.)	23.8%	↓ 640 bps	↑ 350 bps	□	Margin compression from 30.2% YoY due to dumping; QoQ recovery from 20.3%.
EBITDA Consolidated (□Cr)	34.44	First entry	First entry	↓	Dragged down by Interfloat negative EBITDA of □19.23 Cr.
PAT Standalone (□ Cr)	13.68	↓ 54.5%	↑ 17%	□	Impacted by higher Depreciation (□30.59 Cr) and Interest (□7.46 Cr) from SG-3.
PAT Consolidated (□ Cr)	-11.53	First entry	First entry	□	Loss driven by Interfloat furnace shutdown and low consolidation-level margins.
Exports (incl. SEZ) (□ Cr)	72.13	↑ 82.4%	Not stated	□	Now 30.3% of standalone turnover; direct exports up 81%.
Avg Selling Price (□/ mm)	128.4	↓ 8.8%	Not stated	↓	Domestic prices declined 16%; blended ASP hit by Chinese/Malaysian dumping.
Production Capacity (TPD)	1,350	↑ 100%	↑ 35%	□	India: 1,000 TPD (post-SG3); Germany: 350 TPD (post-repair).
Interfloat Rev (EUR Mn)	~13.8	First entry	First entry	□	Converted from □123.02 Cr. Impacted by shutdown (March 13 - May 8).
Net Debt / Equity (x)	0.40*	Not stated	Not stated	→	*Estimated based on □250 Cr Term Loan and €24 Mn German borrowing.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	EBITDA Margin	Trend	vs Co. Avg	Key Development
Standalone (India)	237.82	40%	23.8%	□	Above	SG-3 (550 TPD) commissioned and stabilized.
Interfloat (Germany)	123.02	N/A	-15.6%	□	Below	Furnace repair completed May 8; capacity raised to 350 TPD.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	₹300 Cr/quarter Standalone Revenue.	Needs 1,000 TPD at 90%+ utilization and ₹130+ ASP.	SG-3 Delivered (Feb 23).	Market absorption risk.
Guidance	Capacity	SG-4 (1,100 TPD) by CY25.	**ON HOLD.** Dependent on duty re-imposition.	**PAUSED.**	Policy risk (High).
Guidance	Germany	Reach 350 TPD utilization in Q2FY24.	Feasible; furnace repair incorporating efficiency gains is done.	Repair Delivered.	Stabilization risk.
Strategy	Pricing	Maintain 3% premium over imports.	Lowered from 7-8%; reflects shift to large volume customers.	**ERODING.**	Customer bargaining power.
Macro	Policy	Duty re-imposition (BCD/ADD).	Mgmt vigorously representing; no firm govt commitment.	Ongoing struggle.	Binary outcome risk.
Financial	Capex	€33 Mn for GMB Germany.	€9 Mn from internal funds, €24 Mn borrowing.	In Progress.	Interest cost spike.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Mohan Kumar	Efficiency	Business Overview	How long will it take for efficiency gains from new furnaces to materialize?	Management stated that the current quarter (Q2) should show significant gains as the SG-3 furnace and automatic production lines reach rated efficiency. Improved operational efficiency will be critical to offset the current low ASP environment.	None	4.0	Directional
2	4.5	Mohan Kumar	Utilization	Business Overview	What is the current capacity utilization and when will full capacity be reached?	Management expects to reach full capacity utilization in the remaining part of the year, potentially by the end of this quarter. Reaching full utilization is essential to maximize the 1,000 TPD scale and recover fixed costs.	None	3.5	Optimistic
3	3.5	Vivek Gupta	Margins	Financials	What is the EBITDA margin guidance for the rest of the year?	Management declined to provide forward-looking margin projections as a matter of policy. Margin uncertainty remains the primary valuation overhang for the stock.	Margin guidance	1.0	Deflected
4	4.0	Vivek Gupta	RM Costs	Financials	Will soda ash price declines benefit the	Management confirmed that benefits of soda ash price	None	4.0	Specific

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					rest of the year?	declines are being passed on to them in their procurement costs. This provides a necessary buffer as selling prices remain under pressure from dumping.			
5	5.0	Deepesh Agarwal	Pricing	Business Overview	What is the current price premium to Chinese/ Malaysian imports?	Management revealed the premium has dropped to ~3% (from 7-8%) due to higher sales to large-volume customers and module manufacturers seeking competitiveness. This confirms the erosion of BRL's domestic pricing power.	None	5.0	Brutally Honest
6	4.0	Deepesh Agarwal	Power Costs	Financials	Why did power costs increase sequentially on a per square meter basis?	Management attributed the increase to a 35 paise hike in Fuel Adjustment Charges (FAC) by the DISCOM. Rising utility costs in India add a layer of cost-push inflation that BRL cannot currently pass through.	None	4.0	Specific
7	4.5	Deepesh Agarwal	BCD Policy	Strategy	When does the BCD exemption lapse and what is the status of re-imposition?	Management noted the current exemption is scheduled to lapse on March 31, 2024, but they are lobbying for an	None	3.0	Policy dependent

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						earlier termination. Until the 15% BCD is applied, BRL remains vulnerable to low-cost imports.			
8	4.0	Akshay Satija	Capex	Capex	What is the overall capex for the next 3-4 years?	Management stated that additional furnace plans are on hold, but routine maintenance capex will be □30-40 Cr/year, with furnace rebuilds costing □100-120 Cr. The pause on growth capex signals a defensive posture.	None	4.0	Specific
9	4.5	Akshay Satija	Cost Struct.	Financials	How do Chinese fixed costs compare to BRL's?	Management explained that Chinese players have 25-30x BRL's scale and 30-40% lower equipment costs (using Chinese vs European machinery). BRL lacks the operating leverage of global giants, making it a higher-cost producer.	None	5.0	Structural Insight
10	4.0	Rishabh Shah	Market Share	Business Overview	What is BRL's current market share and how will it change with new competitors?	Management estimated their market share at ~20%, noting it will likely decrease as the market grows and new domestic	None	4.0	Realistic

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						competitors (Adani, etc.) enter. The "sole producer" moat is officially disappearing by late CY23.			
11	4.5	Bala Murali	Germany	Management Commentary	What is the opportunity for GMB (Germany) in the 10 GW local manufacturing program?	Management highlighted that GMB's antimony-free glass technology is a key differentiator for German subsidies. This represents the primary turnaround catalyst for the currently loss-making European subsidiary.	None	4.0	Directional

PATTERN FLAGS & SENTIMENT

- **Dumping & Policy Anxiety:** Analysts are hyper-focused on the lack of protection (BCD/ADD). Management's admission that BRL is now a price-taker with a shrinking premium (3%) confirms that the "protective" moat is currently dry.
- **Interfloat Turnaround:** The European subsidiary is a major friction point. The significant loss this quarter (negative □19 Cr EBITDA) is a weight on the consolidated entity, and analysts are skeptical about the timeline for recovery despite the "antimony-free" edge.
- **Scale Disadvantage:** Management’s frankness about the 25x-30x scale advantage of Chinese peers and their lower capex intensity (Chinese equipment) was a sober reminder of the structural hurdles BRL faces without state protection.

Analyst Sentiment Verdict: Analysts were **skeptical and concerned** regarding the consolidated loss and the erosion of pricing power. The management's decision to put SG-4 "On Hold" was received as a necessary but bearish signal for growth. The primary friction point is the lack of policy visibility—analysts see BRL as a hostage to government decisions on duties.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening / Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Growth Capex	Planned SG-4 (1,100 TPD).	**On Hold indefinitely.**	Paused due to low ASPs and lack of duties.	Stalled capacity growth for next 2 years.
Pricing Power	Premium domestic player.	**Premium fell from 8% to 3%.**	Forced to match dumping prices for large accounts.	Margin structural reset to a lower base.
Moat	Sole domestic manufacturer.	**3 domestic competitors entering.**	Market share expected to dilute.	Competitive intensity increasing.

5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs Prior Context (Q1 FY23 / FY23 Summary)

What Changed	Prior Quarter	This Quarter	Direction
Profitability	Profit (□30.1 Cr)	**Consolidated Loss (□11.53 Cr)**	↓ Deteriorating
SG-3 Status	Under Construction (Delayed)	**Commissioned & Stable**	↑ Improving
SG-4 Status	Planned (1,100 TPD)	**On Hold**	↓ Deteriorating
Price Premium	7% - 8%	**~3%**	↓ Deteriorating
Germany Ops	Strategic Acquisition	**Operational Drag (Furnace Repair Loss)**	↓ Deteriorating
ASP	□140.8/mm	**□128.4/mm**	↓ Deteriorating
Policy	ADD Expected	**Exemption Continues; No ADD/BCD**	↓ Deteriorating
Debt	Low (□250 Cr Term Loan)	**Increasing (€24 Mn GMB loan)**	↓ Deteriorating

INVESTOR NOTES: * **Interfloat Drag:** The consolidation of Interfloat has fundamentally changed the risk profile. What was a high-margin standalone India story is now a complex, global turnaround play. * **Wait for the Pivot:** The thesis cannot re-rate until either (A) BCD/ADD is re-imposed or (B) Interfloat hits 350 TPD at positive EBITDA. * **Divergence:** Standalone performance is resilient (□56 Cr EBITDA), but consolidation is masking the underlying strength of the Indian asset. Monitoring the €24m debt serviceability in Germany is now critical.