Borosil Renewables Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat (on Margins and Recovery) **One-line:** The thesis has shifted from "survival and policy-hope" to "confirmed inflection," as the government finalized the 10% BCD on imports, providing a clear path to 20-25% EBITDA margins by H2FY25.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	EBITDA turned positive (□25.91 Cr) from Q4 loss (□20.82 Cr).	□
Earnings Quality	High (Core driven)	Operational turnaround in both India and German units.	□
Guidance Confidence	Strong	Concrete BCD implementation date of Oct 1, 2024.	□
Management Credibility	Strong	Delivered on cost optimization and lobby for BCD.	□
Business Quality Signal	Improving	Pricing power returning due to import freight and duties.	□
Key Q&A Exchange	Q#1 - EBITDA Target	Management expects 20-25% margins post-BCD.	□
The Street's Primary Anxiety	Chinese Dumping / German Drag	Solved by BCD and new German efficiency capex.	□
Capital Cycle Stage	Consolidation / Pre-Expansion	Rights issue to deleverage before next expansion phase.	□
Margin / Return Ratio Trajectory	Improving	Consol EBITDA margin rose from -7.4% to 7.0%.	□
Pricing Power	Expanding	ASP rose 6% QoQ to □105.5/sqm.	□
FCF Conversion & Quality	Weak (Still loss-making)	Narrowed loss to □14.24 Cr; Rights issue needed.	□
Competitive Moat Signals	Widening	Only scale player in India ready to capture demand.	□
Balance Sheet Strength	Stressed (Temporary)	High debt; □450 Cr Rights Issue filed to fix it.	□
Working Capital Efficiency	Stable	Full production absorption in India.	□
Mgmt Guidance Track Record	Mixed	Correctly pivoted to efficiency while BCD was delayed.	□
Key Vulnerability / Red Flag	Subsidized Dumping	China continues to sell below unviable costs.	□
Management Tone	Bullish / Resolute	High confidence in BCD and anti-dumping triggers.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** The operational inflection is here; consolidated EBITDA swung by nearly □46 Cr QoQ as the German subsidiary (Interfloat) drastically narrowed its losses (-□3.8 Cr vs -

₹33.95 Cr). Standalone India margins hit 12.3%, driven by a 6% rise in ASP (₹105.5) and production efficiencies. The "Thesis Trigger"—a 10% Basic Customs Duty (BCD) on solar glass—is now law effective Oct 1st, 2024, which management expects will add ~11% to realizations and push margins toward the 20-25% range. * **Negatives:** Despite the turnaround, the company remains loss-making at the PAT level (-₹14.24 Cr) due to high interest and depreciation. China and Vietnam have intensified dumping, forcing BRL to seek additional protection through Anti-Dumping Duty (ADD) and Countervailing Duty (CVD), which are still 4-6 months away from finalization. * **Street Concern:** Analysts were focused on the viability of the German acquisition. Management confirmed that new machinery in Germany (commissioned this month) will cut power consumption by 25-30%, potentially making the unit EBITDA positive regardless of European module manufacturing demand by targeting export markets. * **Watchpoint:** Execution of the ₹450 Cr Rights Issue and the Preliminary Findings of the DGTR regarding Anti-Dumping Duties, expected in Sept/Oct.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary. Concall for commentary and ASP.

Metric (Consolidated)	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Standalone)	₹241.05 Cr	↑ 2.4%	↑ 6.1%	↑	Volume up 23% YoY; ASP recovery (+6%) QoQ.
Revenue (Consol)	₹370.79 Cr	↑ 5%	↑ 31%	↑	Driven by recovery in German production.
EBITDA (Consol)	₹25.91 Cr	↓ 25%	↑ 224%	↑	Swung to profit on better pricing and efficiency.
EBITDA Margin %	7.0%	↓ 270 bps	↑ 1440 bps	↑	Inflection from -7.4% in Q4FY24.
PAT (Consol)	-₹14.24 Cr	↓ 23.5%*	↑ 73%	↑	*YoY loss widened from -₹11.53 Cr.
Exports (Standalone)	₹22.42 Cr	↓ 69%	↑ 65%	↑	9.3% of standalone revenue.
Avg Selling Price	₹105.5/mm	↓ 17.9%	↑ 6%	↑	Aided by higher Chinese ocean freights.
Production Capacity	1,350 TPD	→ 0%	→ 0%	→	India (1000) + Germany (350).
Utilization (India)	~90%+	→ 0%	→ 0%	→	Running at full capacity.
Overseas Rev (GMB)	₹129.4 Cr	Not stated	↑ 132%	↑	Massive volume recovery QoQ.
Overseas EBITDA	-₹3.8 Cr	Not stated	↑ 89%	↑	Nearing break-even vs -₹33.95 Cr loss.
Net Debt / Equity	Stressed	↓	↓	↓	Rights issue planned to deleverage.
Working Capital (Days)	Stable	→	→	→	Demand for domestic glass is robust (ALMM).

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	EBITDA Margin	Trend	vs Company Avg	Key Development
Standalone (India)	241.05	2.4%	12.3%	↑	Above Avg	Benefitting from high freight and ALMM.
Overseas (Germany)	129.40	Not stated	-2.9%	↑	Below Avg	New machinery reducing power/ labor per unit.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Margins	20-25% EBITDA post-Oct	Requires realization increase of ~□11-12/mm.	Improving	Medium
Guidance	Volume / Capacity	Expansion to 2,450 TPD	On hold; depends on ADD/CVD clarity.	Delayed	High
Guidance	Capex Plan	Efficiency focus	New German machines commissioned Aug '24.	Delivered	Low
Strategy	Capital Allocation	Deleveraging via Rights	□450 Cr issue; expected Sept/Oct.	Ongoing	Medium
Strategy	Competitive Positioning	2mm / Bifacial focus	Market shifting to thinner glass.	Delivered	Low
Macro	Industry Headwinds	Anti-Dumping (ADD)	Provisional findings expected in 1-2 months.	Ongoing	High
Balance	Debt / Leverage Target	Substantial reduction	Target use of Rights proceeds for debt.	Missed (Prior)	Medium

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	5.0	Sumit Kishore / Axis Capital	Margins	Financials	Where do you see EBITDA margins settling post-budget/BCD?	Management indicated margins should settle between 20% to 25% as the 11% effective BCD adds directly to the bottom line. This sets a clear re-rating trigger for H2FY25 if Chinese prices remain stable.	None	4.0	Clear and quantified
1a	4.0	Sumit Kishore / Axis Capital	Pricing	Financials	Are ocean freight rates cooling off?	Management noted freight rates have softened slightly from their peak but remain a dynamic factor in landed cost. Sustained high freight provides an unintended price floor for Borosil.	None	3.0	Vague but consistent
1b	4.5	Sumit Kishore / Axis Capital	Supply-Demand	Business Overview	What is the total India solar glass capacity vs demand?	Management confirmed total domestic capacity is ~2,300 TPD (BRL at 1,000) against a demand of 4,000 TPD. This indicates a structural deficit that ensures BRL can sell	None	4.5	Specific and quantified

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						every ton it produces.			
2	4.0	Rohan / Envision Capital	Associations	Management Commentary	What is the Solar Ancillary Manufacturers Association?	Management formed this to lobby for the entire component ecosystem (glass, backsheet, frames) rather than just modules. This collective bargaining was credited for the recent BCD imposition.	None	5.0	Specific timeline given
3	4.5	Ketan Jain / Avendus	Competition	Financials	What is the price gap vs Chinese landed glass?	Management sells at a 3% to 5% premium over Chinese landed cost, currently realizing ~□105-106/ mm. This confirms they are price-takers, but the gap is small enough to maintain volume.	None	4.0	Clear and quantified
4	4.5	Santosh / Individual	German Unit	Financials	Why is German labor/ power cost so high (30% each)?	Management admitted costs are high but highlighted that new machinery (starting this month) will reduce power consumption by 25-30%. This efficiency	None	3.5	Directional with evidence

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						gain is critical for the German unit to reach break-even.			
5	4.0	Santosh / Individual	Rights Issue	Capex and Allocation	When will the Rights Issue be launched?	Management expects the SEBI approval soon and the issue to open in late September or early October. This is the primary deleveraging event for the balance sheet.	None	4.0	Specific timeline given
6	4.5	Santosh / Individual	Policy	Management Commentary	What is the timeline for Anti-Dumping Duty (ADD)?	Provisional findings are expected within 1-1.5 months, with final views by December. Success here would provide a secondary margin buffer beyond the BCD.	None	4.0	Specific timeline given
7	3.5	Sunny / IFA	Expansion	Capex and Allocation	What is the plan for the 1,100 TPD expansion?	The project remains on hold until the impact of BCD is visible and ADD clarity is reached. Management is prioritizing balance sheet health over aggressive expansion.	None	4.0	Clear and quantified

PATTERN FLAGS & SENTIMENT Analyst anxiety has shifted from "Will the company survive?" to "How high will the margins go?" The focus was heavily on the mathematical impact of the 10% BCD and the operational drag of the German unit. Management appeared confident, almost vindicated by the government's budget announcement, and were much more specific about efficiency gains in Europe than in previous calls.

Analyst Sentiment Verdict: CONVINCED but CAUTIOUS. Analysts were generally pleased with the EBITDA swing but remain wary of PAT-level losses and high debt. The friction point was the German subsidiary's high Opex, which management countered with specific efficiency capex numbers. Credibility improved as the BCD—long promised by management—finally materialized.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-------|----------------------------|-------------------|-----------------|----------------| | BCD Delay | Expected to start in April '24. | Confirmed for Oct '24. | 6-month delay absorbed. | Resolved - Thesis intact. | | German EBITDA| Expected stabilization. | Still negative ₹3.8 Cr. | Recovery slower than standalone. | Low - Trend is positive. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY24)	This Quarter (Q1FY25)	Direction
Consol EBITDA	₹-20.82 Cr	₹25.91 Cr	↑ (Major flip)
EBITDA Margin	-7.4%	7.0%	↑ (Expanding)
BCD Status	Hope / Lobbying	Confirmed (Oct 1st)	↑ (Certainty)
ASP (India)	₹99.6/mm	₹105.5/mm	↑ (Pricing Power)
German EBITDA	₹-33.95 Cr	₹-3.8 Cr	↑ (Stabilizing)
Rights Issue	Draft filed	In-principle approved	↑ (Progress)
Expansion Plan	Indefinite hold	"Reconsideration" mode	↑ (Optimism)
Thesis Status	Survival	Recovery / Inflection	↑ (Improving)

- **Thesis Change:** The quarter marks a definitive shift. With the 10% BCD finalized and standalone margins already recovering to 12.3%, the pathway to 20%+ EBITDA is visible. The German unit, previously a black hole, is nearing break-even.
- **Forensic Trigger:** CFO-to-PAT divergence remains high due to depreciation/interest on the new SG-3 furnace; however, the Rights Issue of ₹450 Cr is a necessary corrective measure for the balance sheet.
- **Watchpoint:** If Chinese glass prices drop by another 10% before October, they will neutralize the BCD benefit. Monitor PV Infolink benchmarks.