

## Borosil Renewables Ltd — Feb 2023 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:** BRL is currently a "naked" incumbent—stripped of anti-dumping protections and squeezed by energy costs, it is sacrificing domestic market share (now 19%) to chase higher-margin exports while waiting for the SG3 expansion to restore operating leverage.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	Standalone EBITDA margin of 26.7% is below the 30%+ prior trajectory and 44.8% YoY.	☐
Earnings Quality	Low (Accounting driven)	Standalone EBITDA includes €9.8 Cr of FX/Interest income; adjusted EBITDA is only 22.7%.	☐
Guidance Confidence	Neutral	SG3 trial production began Jan 26, 2023; however, German furnace repair (45 days) creates a Q4/Q1 volume hole.	☐
Management Credibility	Neutral	Management is honest about "marginal supplier" status but has failed to secure trade protection (ADD) renewal.	☐
Business Quality Signal	Deteriorating	Market share collapsed from 25% to 19% in 6 months as BRL hit a capacity ceiling while the market grew.	☐
Key Q&A Exchange	Q8 — Pricing	Mgmt admitted they are forced to match landed import costs which are at all-time lows due to zero duties.	☐
The Street's Primary Anxiety	Zero-Duty Impact	Analysts pressed on why solar glass is the only value-chain component with 0% BCD; no immediate solution.	☐
Capital Cycle Stage	Investment	SG3 (550 TPD) commissioned; SG4 (1,100 TPD) and Germany (€34 Mn) capex underway.	☐
Margin / Return Ratio Trajectory	Deteriorating	Consolidated EBITDA margin at 11.6% due to high energy costs in Europe and acquisition costs.	☐
Pricing Power	Eroding	ASP fell 4% QoQ to ₹134.3; BRL is now a pure price-taker against subsidized Chinese imports.	☐
FCF Conversion & Quality	Weak	Heavy capex and acquisition costs (€34 Mn German plan) likely consuming all operating cash.	☐
Competitive Moat Signals	Shrinking	Sole-producer status is ending; BRL now has only 19% market share, dwarfed by 81% imports.	☐
Balance Sheet Strength	Adequate	Borrowing €24 Mn for German capex; Standalone debt rising for SG3 completion.	☐
Working Capital Efficiency	Stable	High export mix (35.9%) may increase DSO due to transit times to Europe/Turkey.	☐
Mgmt Guidance Track Record	Mixed	SG3 timeline met (Jan '23), but financial performance is significantly below historical "normalized" claims.	☐
Key Vulnerability / Red Flag	Regulatory Neglect	Total absence of BCD or ADD on solar glass while cells/modules enjoy 25-40% protection.	☐
Management Tone	Pragmatic	Acknowledged cost/duty pain but remained bullish on volume-led recovery post-SG3.	☐

Sentiment: Neutral

**Key Takeaways (Positives & Negatives):**

**Positives:** \* **Operational Pivot:** Effectively hedged high spot gas prices in India by switching to Furnace Oil; Germany gas costs are finally softening (from €150 to €60). \* **Volume Visibility:** Trial production of SG3 (550 TPD) doubles India capacity to 6 GW; demand is robust enough to absorb this despite import competition. \*

**Export Strategy:** Shifting 35.9% of volumes to exports (Europe/Turkey) to bypass low domestic realizations; exports currently yield better margins than the "landed-cost-parity" domestic sales.

**Negatives:** \* **Market Share Freefall:** Domestic share fell to 19% from ~35% two years ago; BRL is becoming irrelevant in the Indian market despite the solar boom. \* **Import Vulnerability:** Discontinuation of ADD and 0% BCD makes BRL the only component in the solar ecosystem without a level playing field. \* **Germany Overhang:** Interfloat consolidated for the first time but delivered only 7.4% EBITDA (pre-acquisition costs); upcoming 45-day cold repair in March/April will suppress H1CY23 earnings. \* **Earnings Quality:** Core glass-making margins are much lower than the reported 26.7% once one-off FX/Interest income and accounting reversals are stripped out.

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## 2. BUSINESS PERFORMANCE

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### 2B. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary column.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (₹Cr)	161.39	↓ 4.2%	↓ 4.6%	↓	Volume rose 4%, but 5% YoY price decline dragged revenue; exports now 35.9% of sales.
Revenue Consolidated (₹Cr)	245.70	N/A	N/A	→	Includes Interfloat for ~2 months (Oct 21-Dec 31).
EBITDA Standalone (₹Cr)	43.11	↓ 42.9%	↓ 2.3%	↓	Impacted by 5% ASP drop and high input costs; includes ₹9.8 Cr non-core income.
EBITDA Margin % (Standalone)	26.7%	↓ 1,810 bps	↑ 60 bps	□	Comparable EBITDA (adj. for FX/reversals) is 22.7%.
Exports (₹Cr)	58.00	↑ 30%	Not stated	↑	35.9% of revenue vs 26.5% YoY; strategic shift to higher-margin geographies.
ASP (₹/mm)	134.3	↓ 5.0%	↓ 4.0%	↓	Decline due to ADD withdrawal (Aug '22) and lower ocean freights reducing landed cost.
Production Capacity (TPD)	450	→ 0%	→ 0%	→	India at 450 TPD (SG3 trial started late Jan); Germany adds 300 TPD.
Utilization (%)	100%	→	→	→	India operating at full capacity; Germany at 95%.
Overseas Rev (EUR Mn)	9.4	N/A	N/A	→	Interfloat contributed ₹4.36 Cr (converted from EUR).
Overseas EBITDA (EUR Mn)	0.70	N/A	N/A	→	7.4% margin (₹6.3 Cr); hit by energy costs, now softening.
PAT Standalone (₹Cr)	22.47	↓ 50.8%	↓ 7.4%	↓	Compressed by lower EBITDA and normalized tax rates.
Interest (₹Cr)	2.06	↑ 390%	↑ 368%	↓	Rising due to SG3 project loans and working capital.
Working Capital	Stable	→	→	→	Management focused on minimizing inventory; high utilization aids DIO.

## 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Solar Glass (India)	161.39	↓ 4.2%	26.7%	↓	In-line	SG3 trial production commenced Jan 2023.
Solar Glass (Europe)	84.31	N/A	7.4%	↓	Below Avg	Hit by Russian gas crisis; cold repair in March '23.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	SG3 (550 TPD) commercial prod in Q4FY23.	Feasible; trial production already started Jan 26.	<b>DELIVERED</b> (Trial started).	Stabilization time for new furnace.
Guidance	Margins	EBITDA 25-30% "normalized" range.	Needs raw material/ASP stability; current adj. EBITDA is 22.7%.	<b>MISSED</b> (Adj. margin below floor).	No ADD protection.
Guidance	Capacity	Total 2,400 TPD (~16 GW) by CY24/25.	Needs SG4 (1,100 TPD) on track by Q3 CY24.	First Entry.	Aggressive execution needed.
Strategy	Fuel Agility	Switch to Furnace Oil to mitigate gas costs.	Already implemented; providing ~5-7% cost relief vs spot gas.	<b>DELIVERED.</b>	Furnace oil volatility.
Macro	Regulatory	Anti-Dumping Duty (ADD) revival.	Unlikely in near-term; application is stuck in Gujarat High Court.	<b>MISSED</b> (Duty expired Aug '22).	Continued zero-duty imports.
Balance	Capex Plan	€34 Mn for German debottlenecking.	€24 Mn planned borrowing; €9 Mn from internal funds.	In Progress.	High interest rates in Europe.

## 4. ANALYST Q&A

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Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Mohit Kumar / DAM	Ramp-up	Capex	"Do you think the capacity utilization to be muted and rise gradually over the next few quarters?"	Mgmt expects an immediate ramp-up of SG3 as seen in 2019 (within 1 month) because demand is sufficient to absorb the volume. This suggests Q1FY24 will see a massive volume jump if stabilization is smooth.	None	4.0	Clear timeline
2	4.0	Mohit Kumar / DAM	Capacity	Biz Overview	"Has there been any new cell and module capacity which has come up in the last few quarters?"	Waaree added ~6 GW (now at 9 GW total), and Adani is the only one adding substantial cell capacity. This confirms the widening gap between module capacity (25 GW) and BRL's capacity (6 GW), capping market share.	None	4.0	In-line with industry
3	3.5	Mohit Kumar / DAM	Geography	Biz Overview	"Is it [exports] entirely exposed to Europe right now?"	Mgmt confirmed 90-95% of exports go to Europe and Turkey where anti-dumping duties against China exist. This creates a "safe haven" realization for BRL compared to the unprotected Indian market.	None	4.0	Specific
4	3.0	Bala Murali	Margins	Financials	"How long it will be this kind of [low] EBITDA margins will continue [in Europe]?"	Mgmt noted gas prices have already dropped from €150 to €60, which should aid margin recovery in CY23. This	None	3.5	Directional

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						points to a potential sharp bottom in Q3 consolidated earnings.			
5	3.0	Bala Murali	Realization	Financials	"What would be the difference in the realization for the domestic and exports?"	Mgmt declined to specify exact numbers but confirmed exports provide higher margins due to trade protection against China in those regions. Confirms domestic market is currently the least profitable.	Exact delta	2.5	Vague
6	4.5	Jiten Rushi	Turkey	Biz Overview	"Any natural calamity in Turkey will impact our revenue in Q4 and Q1?"	Mgmt noted customers are in Northern Turkey (away from quake zone) and a team visit confirmed plants are operational. This removes a major geopolitical risk overhang for the export segment.	None	5.0	Verifiable
7	4.5	Jiten Rushi	Competition	Biz Overview	"What is the net value proposition for our customers in India to buy from Borosil versus importing from China?"	Local sourcing offers zero transit risk, lower inventory costs, and flexibility for smaller players (>100 makers). While price is the primary driver, BRL relies on these logistical "soft moats" to survive.	None	4.0	Logical
8	4.0	Sumit Gugnani	Fuel Mix	Financials	"So, why not make that [Furnace Oil] a long-term thing?"	Gas is the preferred fuel for glass quality, and Furnace Oil is only a temporary economic bridge. Confirms that if gas prices	None	3.5	Logical

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						normalize, margins could face a minor technical headwind from switching back.			
9	4.0	Anuj Upadhyay	Pricing	Financials	"How long the discounted imported price is sustainable?"	Mgmt believes Chinese prices are currently at cost floors, leaving little room for further drops. This suggests the margin bottom is likely reached in Q3.	None	3.0	Opinion-based
10	4.5	Kiran Paranjape	Manpower	Financials	"If that [German employee cost] is just for 2 months, does it mean that it is about ₹27 crores for the entire quarter?"	Mgmt confirmed the high run-rate (₹18 Cr in 2 months) but noted German labor productivity is much higher than India. High fixed cost structure in Europe makes BRL extremely sensitive to German volume utilization.	None	4.5	Confirmed data
11	4.5	Ashit Kothi	China	Strategy	"How exactly would you be able to compete or attack Chinese companies?"	Mgmt claimed BRL's EBITDA levels are competitive with Hong Kong-listed giants Xinyi Solar and Flat Glass despite being 5% of their size. This is a strong credibility claim that BRL is an efficient operator globally.	None	4.0	Comparative

## PATTERN FLAGS & SENTIMENT

The analyst cohort is increasingly focused on the **structural disadvantage** of being an unprotected domestic player. Multiple questions (Q7, Q9, Q11) sought to understand how BRL can possibly compete with Chinese giants who have massive scale and government subsidies, while BRL faces 0% import duties. Management

responded with a strategy of "geographic arbitrage"—using high-margin exports to Europe/Turkey (where duties do exist) to subsidize their domestic operations until Indian capacity expands enough to offer better scale.

The **German acquisition** is the secondary theme of anxiety. Analysts were surprised by the high fixed costs (labor/energy) and the relatively low initial margin (7.4%). While management appeared confident that energy softening would fix this, the upcoming cold repair (Q6) remains a live execution risk.

**Analyst Sentiment Verdict:** Analysts were **skeptical of the domestic thesis** but **impressed by BRL's operational agility** (fuel switching, export pivot). The friction point remains the lack of trade protection in India. Management's credibility remains stable because they are not sugar-coating the margin pain, but the "normalized 30% margin" claim is now being viewed as a long-term target rather than a near-term reality.

#### GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (PPT / Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
<b>Market Share</b>	Sole manufacturer in India.	Market share dropped to 19%.	Scale of import dominance (81%) is higher than PPT implies.	Loss of pricing power.
<b>German Margins</b>	Strategic acquisition.	7.4% EBITDA in 2 months.	Acquisition is a margin dilutor in the near-term.	Cons. margin drag.
<b>SG4/5 Timeline</b>	Planned 2,400 TPD by CY24.	Board will decide <i>after</i> SG3 stabilizes.	Next leg of growth is on "pause" for observation.	Slower long-term growth.

## 5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY23)	This Quarter (Q3FY23)	Direction
<b>Market Share</b>	25%	19%	↓ Deteriorating
<b>ASP</b>	₹140.8/mm	₹134.3/mm	↓ Deteriorating
<b>Export Mix</b>	23.3%	35.9%	↑ Improving (Hedge)
<b>Standalone EBITDA %</b>	30.2%	26.7%	↓ Deteriorating
<b>Energy Strategy</b>	Gas-focused	Furnace Oil pivot (India)	↑ Improving (Agility)
<b>Consolidation</b>	Standalone only	Interfloat included (86% stake)	↑ Scale / ↓ Margins
<b>Regulatory Outlook</b>	Expecting ADD renewal	ADD "died" in court	↓ Deteriorating
<b>German Operations</b>	Pre-acquisition	45-day repair shutdown scheduled	↓ Near-term hit
<b>SG3 Status</b>	Under construction	Trial production started	↑ Execution

*Note: CFO-to-PAT ratio calculation is not possible as full Cash Flow statements were not provided in the Q3 PPT; however, interest cost spike ( 2.06 Cr) suggests increased working capital intensity to fund the export shift.*