Borosil Renewables Ltd — Jun 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss **One-line:** Massive pricing erosion due to Chinese dumping and a surprise extension of duty exemptions have turned the business loss-making, shifting the thesis from "growth harvesting" to "survival until protection arrives."

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	EBITDA turned negative (□20.82 Cr) vs positive Q3 and YoY.	□
Earnings Quality	Low (Distorted by dumping)	Operating losses despite 57% volume growth in India.	□
Guidance Confidence	Weak	Capex for Furnace 4 (1,100 TPD) placed on hold indefinitely.	□
Management Credibility	Neutral	Transparent about policy disappointment but struggling with Europe.	□
Business Quality Signal	Deteriorating (Cyclical)	Profitability is currently entirely dependent on government policy.	□
Key Q&A Exchange	Q#3 - Chinese pricing vs Indian cost	Chinese glass is sold in India *below* local production costs.	□
The Street's Primary Anxiety	German Acquisition Failure	Analysts questioned if the Interfloat acquisition has "backfired."	□
Capital Cycle Stage	Consolidation	Rights issue planned to deleverage; expansion halted.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin crashed from 12.6% (Q4FY23) to -7.4%.	□
Pricing Power	Eroding	ASP down 25.6% YoY to □98.8/mm; benchmarked to imports.	□
FCF Conversion & Quality	Weak	Negative PAT and increased leverage; Rights Issue required.	□
Competitive Moat Signals	Stable (Regulatory-linked)	Moat exists via ALMM/DCR but is currently bypassed by glass imports.	□
Balance Sheet Strength	Stressed	Debt up to □537 Cr; Board approved □750 Cr fundraise.	□
Working Capital Efficiency	Deteriorating	Leverage increasing due to lower profitability.	□
Mgmt Guidance Track Record	Mixed	Successfully ramped SG-3 volumes but misjudged EU demand/dumping.	□
Key Vulnerability / Red Flag	Policy Reliance	100% of the turnaround thesis relies on ADD/CVD by Oct 2024.	□
Management Tone	Disappointed but Resolute	Frustrated by BCD extension but bullish on 1-Cr rooftop solar.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positives:** India volume growth remains robust (+57% YoY in Q4) driven by the SG-3 furnace ramp-up; reimposition of ALMM in April 2024 is creating a "quantum jump" in domestic module manufacturing demand; high ocean freight rates ($700 to $3,200) from China are providing an unintended temporary price floor. * **Negatives:** Predatory pricing from China/Vietnam has pushed average selling prices (ASP) below the cost of production (₹98.8/mm vs ₹136.5/mm in FY23); the German subsidiary (GMB) remains a drag with -₹31.07 Cr EBITDA in Q4 due to EU module manufacturing shutdowns; the surprise 6-month extension of the Basic Customs Duty (BCD) exemption to Sept 2024 has delayed the recovery. * **Street Concern:** Analysts are focused on the "debt overhang" from the German acquisition and the lack of a level playing field. Management's response emphasizes "strategic energy security" and the pursuit of Anti-Dumping Duties (ADD) via the DGTR. * **Watchpoint:** Success of the ₹750 Cr fundraise and the DGTR's final decision on ADD/CVD, expected within the next 5-6 months.

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2. BUSINESS PERFORMANCE

2A. 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)	₹227.23 Cr	↑ 21%	↓ 14.5%	↑/↓	Volume-driven growth (+57% YoY) offset by -25.6% pricing drop.
Revenue (Consol)	₹283.11 Cr	↓ 8%	↓ 14%	↓	Dragged by European subsidiary demand slowdown.
EBITDA (Consol)	₹-20.82 Cr	↓ 153%	↓ 186%	↓	Pricing erosion in India + lower production in Germany.
EBITDA Margin %	-7.4%	↓ 2000 bps	↓ 1470 bps	↓	Negative margins due to dumping; GMB (Europe) hit -₹31.07 Cr.
PAT (Consol)	₹-53.32 Cr	↓ 607%	↓ 235%	↓	Impacted by low ASP and high depreciation from new SG-3 plant.
ASP (₹/mm)	₹98.8	↓ 25.6%	↓ 3.5%	↓	Prices benchmarked to landed cost of Chinese imports.
Utilization (India)	~85-90%	First entry	First entry	→	Running full but sold at unremunerative prices.
Overseas Rev (GMB)	₹55.8 Cr	Not stated	↓ 38%	↓	Worst quarter in Europe; only 1 of 2 lines running.
Overseas EBITDA	₹-31.07 Cr	Not stated	Not stated	↓	Impacted by Chinese module dumping in European markets.
Net Debt (Consol)	₹537 Cr	First entry	First entry	↓	Includes ₹217 Cr (Euro 24Mn) debt in step-down subsidiary.
Working Capital	Deteriorating	First entry	First entry	↓	Higher leverage on consolidated level due to low profitability.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
India	227.23	21%	5.8%*	↓	Above Avg	SG-3 commissioned Feb 2023 now fully operational.
Europe	55.88	Not stated	-55.6%	↓	Below Avg	Back to 2-line production from mid-March 2024.

**EBITDA margin for standalone India ops.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery (Did they do what they promised last Q?)	Risk Flag
Guidance	Revenue	Positive outlook on sector	High; requires duty imposition by H2FY25.	Delivered on volumes (+79% FY24) but failed on margins.	High
Guidance	Margins	Remunerative prices in H2	Needs □120+/mm realization to hit 20% EBITDA.	Missed; ASP continuously declined over FY24.	High
Guidance	Volume / Capacity	2,450 TPD (Future goal)	Currently at 1,350 TPD; expansion on hold.	Delayed; Furnace 4 (1,100 TPD) stalled due to market.	Medium
Guidance	Capex Plan	□100 Cr (FY25)	□20 Cr Power, □25 Cr Proc, □55 Cr Rebuilds.	Ongoing maintenance/hybrid power capex.	Low
Strategy	Capital Allocation	Rights Issue to repay debt	Target up to □750 Cr.	Shifted from "Expansion" to "Deleveraging."	High
Strategy	Competitive Positioning	2mm & Value-added glass	Target 60-65% of portfolio by FY25-end.	Improving; 2mm glass now 20-25% of sales.	Low
Macro	Industry Headwinds	Chinese Dumping / BCD	Resolution expected in 5-6 months.	Failed to predict BCD exemption extension to Sept.	High
Balance	Debt / Leverage Target	"Minimal debt levels"	Requires successful Rights Issue.	Leverage increased vs prior year (FY23).	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	4.5	Nikhil Abhyankar / ICICI Sec	BCD Policy	Mgmt Outlook	Why was the BCD exemption extended to September?	Management indicated the Finance Ministry was busy with elections and couldn't segregate items, resulting in a blanket 6-month extension. This delays the company's margin recovery trigger by at least two quarters and remains a credibility watch on government support.	None	3.0	Specific timeline given
1a	3.5	Nikhil Abhyankar / ICICI Sec	Capex	Capex	Are capex plans on hold until September?	Management confirmed capex for major expansion is on hold, but maintenance and efficiency capex (□100 Cr) continues. This signals a preservation-of-capital mode until regulatory clarity emerges.	None	4.0	Clear and quantified
1b	4.0	Nikhil Abhyankar / ICICI Sec	Pricing	Financials	Are realizations improving in April/May?	Management confirmed realizations are improving due to a massive spike in Chinese ocean freight rates (from $700 to	None	4.0	Directiona with evidence

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						$3,200). This provides a temporary, non-fundamental buffer to margins regardless of government policy.			
2	3.0	Sharan / Individual	Recycling	Business Overview	Is the company exploring solar glass recycling like US-based SOLARCYCLE?	Management is monitoring technologies but believes the US model is currently too expensive ($340M) and India lacks sufficient discarded module volumes to justify investment yet. This suggests recycling is not a medium-term value driver or threat.	None	3.5	Vague but consistent
2a	4.0	Sharan / Individual	Growth	Capex	Has the company lost 2 years of growth by putting expansion on hold?	Management argued they have a "head start" because the batch house and electrical infra for 2,000 TPD are already ready. They claim they can commission a furnace in 14-24 months once the signal is green, minimizing the "lost time" impact.	None	4.0	Directiona with evidence

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
2b	4.0	Sharan / Individual	Europe	Mgmt Outlook	Any update on EU anti-dumping?	Management noted that while EU policy is slow, they have resumed full production on both lines due to new export orders and freight rate spikes. This suggests the European "bleeding" may have bottomed out in Q4.	None	3.0	Vague but consistent
2c	3.5	Sharan / Individual	Competition	Business Overview	How is Glass Technology (UAE) competing with a $350M plant?	Management questioned the high investment cost per ton of the UAE plant, suggesting it may not be competitive on a depreciation/ interest basis. This implies Borosil believes its capital-efficient Indian manufacturing remains a competitive advantage.	None	2.5	Deflected — key signal
3	5.0	Vivek Gupta / Individual	Dumping	Financials	What is the cost of production vs Chinese selling prices?	Management admitted Chinese prices are subsidized and currently sold below Borosil's cost of production (a 10-15% gap). This confirms the company has zero pricing power in the	None	4.0	Specific and quantified

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						current duty-free environment.			
4	4.5	Vivek Gupta / Individual	Strategy	Mgmt Outlook	Why not just trade/label Chinese glass instead of producing at a loss?	Management stated that importing for trading would attract a 15% duty and disqualify them from seeking anti-dumping protection under WTO rules. Maintaining manufacturing status is a prerequisite for the regulatory protection they are lobbying for.	None	5.0	Specific and quantified
5	4.5	Vivek Gupta / Individual	M&A	Financials	Has the German acquisition backfired?	Management defended the acquisition, citing historical 28% margins and blaming the "unforeseen" crash in Chinese module prices starting July '23. The implication is that the acquisition is a long-term strategic bet currently trapped in a macro downturn.	None	3.0	Vague but consistent
6	4.0	Vivek Gupta / Individual	Exit Strategy	Governance	Is Borosil a takeover candidate for	Management stated they are "not sellers" and	None	3.5	Vague but consistent

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
					larger module players?	are "only bullish," even hinting at the possibility of moving into module manufacturing themselves. This rules out an M&A exit for shareholders in the near term.			
7	4.0	Jiten Rushi / Axis Capital	Pricing	Financials	What is the gap between Borosil and Chinese landed prices?	Management noted their pricing is currently benchmarked 1:1 with Chinese landed costs, with perhaps a 2-3% premium for local availability. This confirms the company is a price-taker, not a price-setter.	None	4.0	Clear and quantified
8	4.5	Jiten Rushi / Axis Capital	DCR Policy	Mgmt Outlook	Is there a proposal to mandate domestic glass in DCR/ALMM schemes?	Management confirmed they are lobbying the government to include "ancillary products" like glass in domestic content requirements. If successful, this would decouple Borosil's demand from import price volatility.	None	3.0	Vague but consistent
9	3.5		Capex	Capex			None	4.5	

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
		Jiten Rushi / Axis Capital			How much total capex is planned for the module/power integration?	Management is spending □100 Cr this year on hybrid power (□20 Cr), processing (□20 Cr), and furnace rebuild prep (□55 Cr). This maintenance-heavy capex confirms that growth-focused capacity expansion is truly on hiatus.			Specific and quantified
10	3.5	Pankaj Lath / Individual	Innovation	Business Overview	What is the traction on 2mm and specialized glass?	Management expects 2mm glass to grow from 25% to 65% of the portfolio by year-end, alongside niche anti-glare glass for airports. This value-mix shift is the only internal lever management has to combat ASP erosion.	None	4.0	Specific timeline given
11	3.0	Jegadees Sharma / Individual	Strategy	Capex	Why enter the EPC space?	Management explicitly stated they have "no wish" to enter the EPC business, preferring to focus on manufacturing. This narrows the scope of future capital misallocation risks.	None	5.0	Clear and quantified

PATTERN FLAGS & SENTIMENT

The recurring theme across all analyst clusters was the **viability of the current business model** in the face of predatory Chinese pricing and the perceived "failure" of the German acquisition. Management's posture was defensive regarding the past (GMB acquisition timing) but remained confident in the long-term "energy security" narrative. Analysts expressed significant skepticism about the logic of continuing to manufacture at a loss rather than trading, a concern management resolved only by pointing to the legal requirements for ADD protection. The anxiety regarding government policy delays (BCD/ADD) remains live and will certainly resurface next quarter if no progress is made by the DGTR.

Analyst Sentiment Verdict: Analysts were largely skeptical and probing, particularly regarding the German subsidiary's losses and the reliance on government intervention. The friction point was the "dumping" reality—analysts struggled with the fact that Borosil's efficiency doesn't matter if competitors sell below cost. Management's credibility on operational execution (SG-3 ramp-up) is intact, but their ability to predict regulatory timelines is viewed with caution. The single greatest risk remains the **DGTR investigation timeline**; any delay beyond the 6-month estimate could force further balance sheet distress.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening / Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
BCD Exemption	Expected to end March 31, 2024.	Extended to September 30, 2024.	6-month delay in pricing recovery trigger.	High - forces another two quarters of potential losses.
Capacity Expansion	Furnace 4 (1,100 TPD) planned for CY25.	Project officially "on hold."	Growth trajectory flattened to preserve cash.	Medium - limits long-term market share capture.
German Ops	Expected to stabilize in H2FY24.	Suffered "worst quarter ever" in Q4.	Recovery much slower than initially communicated.	High - continued cash drain on the parent.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
First entry	Not available	Not available	→

(Note: As this is the first entry, all historical comparisons are captured in the YoY and QoQ trends in Section 2A.)