Borosil Renewables Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Beat (Volume) / Miss (Margin Trajectory) **One-line:** Borosil Renewables (BRL) has pivoted from a domestic capacity play to a global aggregator via the Interfloat acquisition, but the "margin pincer" of declining realizations and reset input costs has officially arrived, ending the era of 40%+ EBITDA margins.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss on Margins	EBITDA margins collapsed from 44.8% (Q3) to 34.9% (Q4) as input costs caught up.	□
Earnings Quality	High (Core driven)	Growth driven by 100% capacity utilization; "virtually zero" finished goods inventory.	□
Guidance Confidence	Neutral	SG-3 brownfield expansion delayed by 2-3 months to Sept 2022 due to global supply chain issues.	□
Management Credibility	Strong	Transparent about "out of whack" European gas prices and lack of immediate pricing power vs imports.	□
Business Quality Signal	Improving	Shift to 2mm/2.5mm glass (27.3% of mix) and European acquisition de-risks single-location/single-market exposure.	□
Key Q&A Exchange	Q#45 - Chinese Delta	BRL maintains only a 2-5% price premium over Chinese landed costs for large buyers.	□
The Street's Primary Anxiety	European Gas Risk	Management admitted Interfloat's margins are pressured by gas volatility but cited potential German govt. price ceilings.	□
Capital Cycle Stage	Aggressive Investment	Expansion roadmap to 2100 TPD (India) + 500 TPD (Europe) requires massive ongoing capex.	□
Margin / Return Ratio Trajectory	Deteriorating	Super-normal margins have mean-reverted; further pressure expected from Soda Ash reset in Q1FY23.	□
Pricing Power	Eroding	Benchmarked entirely to landed cost of imports; no independent pass-through of domestic cost inflation.	□
FCF Conversion & Quality	Distorted	Heavy investment phase; SG-3 alone costs □650 Cr; internal accruals insufficient for future SG-4/5 and Europe expansion.	□
Competitive Moat Signals	Stable	Remains sole Indian manufacturer, but 65% of domestic demand still met by imports.	□
Balance Sheet Strength	Adequate	Net Debt of ~□140 Cr (□1.4 Billion); additional □100 Cr debt to be drawn for SG-3 completion.	□
Working Capital Efficiency	Improving	Finished goods inventory is "virtually zero" as demand outstrips supply.	□
Mgmt Guidance Track Record	Reliable	Historically accurate on volume; 2-3 month delay in SG-3 is consistent with global capital goods peers.	□
Key Vulnerability / Red Flag	Input-Price Mismatch	Soda Ash and Gas costs rising while Chinese FOB prices for glass remain volatile.	□
Management Tone	Measured & Realistic	Confident in long-term solar demand but cautious on short-term margin volatility and European energy costs.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** BRL is running at 100% utilization (443 TPD on 450 TPD capacity) with no inventory overhang. The strategic acquisition of Interfloat (Europe) provides a 300 TPD (scalable to 500 TPD) foothold in a market with 55-60% Anti-Dumping Duties on Chinese glass. The product mix continues to improve, with high-margin thinner glass (<3.2mm) reaching 27.3% of production. * **Negatives:** The "golden quarter" of 44.8% margins was a one-off realization peak; Q4 margins of 34.9% reflect the reality of a 14% YoY drop in selling prices while input costs (Soda Ash, Gas, Logistics) spiked. The SG-3 expansion (550 TPD) is delayed from July to September 2022, pushing back the next volume leg. * **Street Concern:** Analysts are focused on the Interfloat acquisition's profitability amidst the Russia-Ukraine energy crisis. Management's response was balanced: while gas prices are "out of whack," European buyers value "domesticity of source" and pay a premium for assured supply, unlike Indian buyers who benchmark strictly to Chinese landed costs. * **Forward Watchpoint:** The sunset review of Anti-Dumping Duty (ADD) on Chinese glass (currently 12-15%). Management indicated the process is in the "disclosure document" stage; any removal of this duty would be a terminal blow to domestic realizations.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

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

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (□Cr)	179.05	↓ 8%	↑ 6%	↓	YoY decline due to 14% lower ex-factory realizations; QoQ growth driven by volume.
Revenue Consolidated (□Cr)	179.05	N/A	N/A	→	Consolidation with Interfloat expected 2 months post-April 25 agreement.
EBITDA (□Cr)	62.43	↓ 41%	↓ 17%	↓	Squeezed by higher input costs (Gas, Soda Ash, Logistics) and lower ASP.
EBITDA Margin %	34.9%	↓ 2010 bps	↓ 990 bps	↓	Mean reversion from the exceptionally high 55% in Q4FY21.
PAT (□Cr)	46.38	↓ 31%	↑ 1%	→	Flat QoQ despite lower EBITDA due to lower interest and tax adjustments.
Avg Selling Price (□/mm)	~134	↓ 14%	↓ 5%	↓	Benchmarked to landed cost of imports; Q3 realization was □141.4.
Exports (□Cr)	39.3	↑ 1%	↓ 11%	↓	Comprises 21.9% of Q4 turnover; FY22 exports reached □171 Cr (26.6% mix).
Production Capacity (TPD)	450	→ 0%	→ 0%	→	Full utilization; actual pull was 443 TPD for FY22.
Overseas Sub. Rev (□Cr)	525 (FY21)	N/A	N/A	→	Interfloat FY21 revenue of €60M converted to INR.
ROCE (%)	Not stated	N/A	N/A	→	Impacted by heavy CWIP (□300 Cr) for SG-3 expansion.
Net Debt / (Cash) (□Cr)	~140	N/A	N/A	↓	Debt at □1.4 Billion per concall; will peak upon SG-3 completion.
Interest Coverage (x)	96x	↓	↑	↑	Interest cost □0.65 Cr; remains exceptionally robust.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Solar Glass (Standalone)	179.05	↓ 8%	34.9%	↓	100%	27.3% of production is now thinner glass (<3.2mm).
Interfloat (Germany)	~525 (Annual)	N/A	"Good"	→	Above Avg	Market share of 2/3rd in Europe; 300 TPD capacity.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	1000 TPD by Sept 2022.	Requires SG-3 commissioning; on track despite 2-month supply chain delay.	Delivered SG-2 on time (14 months).	Low
Guidance	Volume / Capacity	2100 TPD by CY2024.	Requires SG-4/5 to start ground-work in FY23; feasibility depends on equity raising.	First entry.	Medium
Guidance	Margins	Price increases (14-15% FOB) seen in Q1FY23.	Necessary to offset Soda Ash cost spikes; sustainability dependent on China.	Managed 40%+ margins in FY22.	High
Guidance	Capex Plan	□650 Cr for SG-3 (550 TPD).	□300 Cr already in CWIP; balance via □100 Cr debt + internal accruals.	On track.	Low
Strategy	Competitive Pos.	Target 2600 TPD by CY2025.	Requires aggressive market share grab from imports (currently 65% of India).	Expanding footprint.	Medium
Strategy	Capital Allocation	€52.5M (□425 Cr) Acquisition.	€30M cash + €22.5M share swap; smart leverage of equity.	First M&A.	Medium
Macro	Industry Headwinds	ADD Sunset Review.	Critical for realization umbrella; disclosure document issued, final findings awaited.	Successfully won ADD in 2017.	High
Macro	Input Cost	Gas govt. support in Europe.	Interfloat mentioned by name for potential energy subsidies in Germany.	Not in BRL control.	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Mohit Kumar / DAM Capital	Interfloat Acquisition	Capex and Allocation	"What was the margin in FY2022 for the entity [Interfloat] and how do you plan to improve it?"	Management declined to share specific margins until transaction closing, citing recent input cost pressures on gas and soda ash. European realization premiums and potential German govt. gas subsidies are the primary triggers for future margin expansion.	Specific margin % for FY22.	2.0	Deflecte — key signal
4	4.0	Mohit Kumar / DAM Capital	Gas Sourcing	Financials	"How are you managing our gas requirements? Is it completely spot or is it some mix of APM?"	Management clarified they buy hardly any gas on the spot market, with one-third of the India requirement covered by APM. Stable gas sourcing in India provides a structural cost advantage over import-reliant European peers.	None	5.0	Specific and verifiable
5	4.0	Keval Ashar / DSP	European Demand	Business Overview	"What is the annual solar PV addition in the European market that we expect and what percentage... is currently imported?"	Management expects European manufacturing to grow from 3GW to 8-10GW, with Interfloat currently holding a two-thirds market share of local	None	4.0	Direction with evidence

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						production. This acquisition positions BRL to capture the "Solar Accelerator Program" growth in the EU without import duties.			
11	5.0	Anuj Upadhyay / HDFC Sec	Realization Trends	Financials	"Any reason why the realization was down by 4% on a Q-on-Q basis whereas it has been much higher?"	Management reiterated that prices are benchmarked strictly to the landed cost of imports, which moved southwards in Q4. BRL's margins remain hostage to Chinese FOB volatility regardless of internal cost inflation.	None	5.0	Clear an quantifie
15	4.5	Sachin / Aditya Birla	Pricing Power	Management Commentary	"Considering the fact that Borosil Renewable is the only manufacturer in India, is it not possible to pass the price onto the end user?"	Management admitted that while they are the sole domestic producer, they are restricted by import landed costs as customers have an alternative. This confirms BRL operates as a price-taker, not a price-setter, in the domestic market.	None	4.0	Specific and verifiable
17	4.0	Pradyumna / JM Financial	Acquisition Rationale	Capex and Allocation	"I just wanted to understand the rationale	Management explained the sellers were	None	4.0	Logical rationale

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					[for the sellers to sell Interfloat] especially considering that even the valuation seems to be on a reasonable side?"	financial investors lacking glass manufacturing background who preferred a partner to manage the upcoming capex program. The share swap (43% of deal value) ensures sellers remain incentivized by the combined entity's growth.			
21	3.5	Dhiral / PhillipCapital	Market Share	Business Overview	"What is the market share of Interfloat in European region?"	Interfloat holds a two-thirds market share of European-manufactured glass, with the balance made up by imports. This dominance in a high-barrier market justifies the ₹425 Cr valuation.	None	4.0	Specific figure
23	4.0	Kashyap Javeri / Emkay	Product Mix	Business Overview	"In this 450 TPD... what is the breakup of... thickness?"	Management revealed that 27.3% of production is now thinner glass (<3.2mm), which yields higher average realizations per mm. Increasing the mix of 2.1mm and 2.5mm glass is the primary lever to offset commodity	None	5.0	Specific and quantifie

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						glass price drops.			
35	3.5	Samir Gandhi / Association	Protectionism	Management Commentary	"Whether this 40% BCD [on modules] is positive for us or negative for us?"	Management clarified that while BCD helps the module industry (increasing BRL's customer base), it does not restrict glass imports, which remain duty-free except for ADD. BRL benefits from volume growth but remains exposed to global glass pricing.	None	4.0	Policy nuance
45	4.0	Keval Ashar / DSP	Competitive Delta	Financials	"What is the price differential between us and Chinese solar glass manufacturers currently?"	Management admitted to a 5-10% premium for small customers, but only a 2-5% premium for large module manufacturers. This thin pricing umbrella necessitates massive scale (SG-3/4/5) to remain competitive against Chinese dumping.	None	4.0	Specific and verifiable

PATTERN FLAGS & SENTIMENT

- **The "Landed Cost" Ceiling:** A recurring theme was the disconnect between BRL's rising costs and its falling selling prices. Analysts repeatedly pushed on why a "sole manufacturer" couldn't pass through costs; management's consistent posture was one of realistic humility—admitting that 65% of the market is still imports and they must track Chinese inventory liquidation prices to maintain 100% utilization.

- **European Energy Anxiety:** The acquisition of Interfloat was met with skepticism regarding German gas prices. Management countered by highlighting "domesticity of supply" as a premium attribute in the EU, which allows Interfloat to operate on annual contracts rather than the month-to-month spot negotiations prevalent in India.
- **The SG-3 Delay:** Analysts probed the 2-3 month delay in the 550 TPD expansion. Management attributed this to global equipment supply bottlenecks, signaling that while the timeline is pushed to September, the "readiness" of the market to absorb the volume remains high.

Analyst Sentiment Verdict: Analysts were directionally positive on the long-term strategic shift toward Europe but remained wary of the short-term margin "cliff" from Q3 to Q4. Management's credibility was bolstered by their refusal to sugarcoat the impact of import pricing or energy costs. The most friction occurred around the Interfloat margin disclosure (or lack thereof), which remains the primary unresolved risk for the next quarter.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY22)	This Quarter (Q4FY22)	Direction
EBITDA Margin	44.8%	34.9%	↓ Deteriorating
Realization (ASP)	□141.4 / mm	~□134 / mm	↓ Deteriorating
Strategic Footprint	Pure domestic player	Global (Acquisition of Interfloat)	↑ Improving
Capacity Timeline	SG-3 due July 2022	SG-3 due September 2022	↓ Deteriorating
Product Mix	~30% thinner glass	27.3% thinner glass	↓ Slightly lower
Revenue Growth	Realization-led	Volume-led (flat YoY rev)	□Neutral
Input Cost Exposure	Lagged impact	Direct hit (Gas/Soda Ash reset)	↓ Deteriorating

Investor Notes: * **Thesis Evolution:** The thesis has moved from "High-Margin Commodity Windfall" to "Scale-Driven Global Consolidation." BRL is trading margin for market share and global footprint. * **Margin Floor:** The 35% EBITDA margin appears to be the new sustainable baseline, provided the Anti-Dumping Duty (ADD) is renewed in July 2022. * **Execution Watch:** The delay in SG-3 is a minor setback, but any further push-out would risk missing the BCD-driven demand surge in India. * **Interfloat Integration:** The €52.5M deal is a high-stakes bet on European energy subsidies and the "China+1" strategy in the EU. Success depends on BRL's ability to transfer its high-efficiency manufacturing processes to the German plant. * **Earnings Quality:** CFO-to-PAT remains a monitoring point as heavy capex for SG-3 (□650 Cr) and the upcoming European expansion will require BRL to remain in a high-investment, low-FCF stage for at least 18-24 months.