Borosil Renewables Ltd — May 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Miss on Margins **One-line:** BRL is currently in a "trough" of the capital cycle—digesting a margin-dilutive European acquisition and facing a pricing war with zero-duty Chinese imports, while the suspension of ALMM adds a new layer of regulatory headwind for its domestic customer base.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	Standalone EBITDA margin at 20.3% is a significant drop from 26.7% in Q3FY23 and 34.9% YoY.	□
Earnings Quality	Low	PAT reflects significant margin erosion; Consolidated results are weighed down by a 4.2% EBITDA margin in Germany.	□
Guidance Confidence	Neutral	SG3 (550 TPD) commissioned in Feb-23; SG4 (1,100 TPD) timeline set for Q3 CY24, but financial recovery depends on external pricing.	□
Management Credibility	Neutral	Management met the SG3 commissioning timeline (Feb-23) but has seen domestic market share stagnate at 19% (vs 25% previously).	□
Business Quality Signal	Deteriorating	Sole-producer status is no longer a moat; zero-duty imports and energy costs are stripping BRL of its pricing power.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only. No concall conducted or available.	□
The Street's Primary Anxiety	Regulatory Headwinds	Suspension of ALMM until March 2024 and lack of BCD/ADD on solar glass makes BRL vulnerable to dumping.	□
Capital Cycle Stage	Investment	Heavy capex underway for SG4 (India) and debottlenecking in Germany (€34 Mn).	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone EBITDA margins down 640 bps QoQ; Consolidated margins are at a weak 12.6%.	□
Pricing Power	Eroding	ASP fell further to □132.7/mm (down from □134.3 in Q3) as BRL matches landed import costs.	□
FCF Conversion & Quality	Weak	Heavy investment phase (SG3 stabilization + SG4 start) and German repair likely suppressed FCF.	□
Competitive Moat Signals	Shrinking	Market share remains stuck at 19% as the market grows faster than BRL's capacity additions.	□
Balance Sheet Strength	Adequate	Planned borrowing of €24 Mn for German capex; standalone debt rising for expansion.	□
Working Capital Efficiency	Stable	Inventory levels managed despite German furnace shutdown (Mar-May).	□
Mgmt Guidance Track Record	Reliable	Delivered SG3 on time; GMB (Germany) cold repair completed as per schedule.	□
Key Vulnerability / Red Flag	ALMM Suspension	MNRE's suspension of ALMM until March 2024 allows module makers to import cells/modules, potentially reducing domestic glass demand.	□
Management Tone	Pragmatic	Focus is on "Easy absorption of additional production volumes" despite current margin pain.	□

Sentiment: Neutral

Key Takeaways (Positives & Negatives):

Positives: * **Capacity Expansion:** SG3 (550 TPD) successfully commissioned in Feb-23, doubling India capacity. SG4 (1,100 TPD) is already on the horizon for CY24. * **Operational Execution:** The GMB (Germany) cold repair was completed in 53 days (March 13 – May 8), increasing capacity by 15% and improving efficiency. * **Renewable Energy Mix:** Achieved 30% power from renewables in India via wind and hybrid plants, providing a partial hedge against energy cost volatility.

Negatives: * **Margin Freefall:** Standalone EBITDA margins (20.3%) have collapsed from historical 30%+ levels due to the inability to pass on high input costs (Energy/RM) amidst Chinese dumping. * **Regulatory Setback:** The suspension of ALMM for one year (until March 2024) is a significant headwind as it allows imported modules to flood the market, bypassing the domestic manufacturing ecosystem BRL serves. * **Import Dominance:** Despite BRL's expansion, its domestic market share is pinned at 19%, with 81% of the market serviced by imports. * **European Drag:** Interfloat/GMB is currently margin-dilutive (4.2% EBITDA), though management expects recovery post-repair and with softening gas prices.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column is derived from PPT notes.

Metric	Current Qtr (Q4FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (□Cr)	187.54	↑ 4.7%	↑ 16.2%	↑	Growth driven by volume (up 8% YoY) and partial SG3 contribution.
Revenue Consolidated (□Cr)	309.05	Not in doc	↑ 25.8%	↑	Includes full quarter of Interfloat (□121.79 Cr).
EBITDA Standalone (□Cr)	38.02	↓ 39.1%	↓ 11.8%	↓	Impacted by high energy/RM costs and 1.4% YoY ASP decline.
EBITDA Margin % (Standalone)	20.3%	↓ 1,460 bps	↓ 640 bps	↓	Margins compressed by dumping from China and zero ADD protection.
PAT Standalone (□Cr)	11.69	↓ 74.8%	↓ 48.0%	↓	Bottom line hit by margin compression and higher depreciation.
Exports (□Cr)	49.89	↑ 27.2%	↓ 14.0%	↓	26.6% of turnover vs 35.9% in Q3; pivot away from exports in Q4.
Avg Selling Price (□/ mm)	132.7	↓ 1.4%	↓ 1.2%	↓	Decline due to withdrawal of ADD and lower ocean freight rates.
Production Capacity (TPD)	1,000	↑ 122.2%	↑ 122.2%	↑	India increased from 450 to 1,000 TPD with SG3 commissioning.
Volume Growth (%)	8%	↑	Not stated	↑	Volumes rising but outpaced by capacity increase (utilization ramping).
Utilization (%)	Ramping	↓	↓	↓	Expect full utilization of SG3 and GMB by end of June 2023.
Overseas Rev (□Cr)	121.79	Not in doc	↑ 44.4%	↑	Interfloat Group revenue (Q3 was □84.31 Cr).
Overseas EBITDA (□Cr)	5.12	Not in doc	↓ 18.7%	↓	Margin fell to 4.2% (Q3 was 7.4%) due to furnace repair shutdown.
Interest (□Cr)	4.8 (Cons)	↑ 638%	↑ 133%	↓	Rising due to SG3 project loans and German capex funding.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Solar Glass (India)	187.54	↑ 4.7%	20.3%	↓	Above Avg	SG3 (550 TPD) commercial production began Feb 23, 2023.
Solar Glass (Europe)	121.79	Not in doc	4.2%	↓	Below Avg	Hit by 53-day furnace shutdown for cold repair (Mar-May).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Reach full utilization of SG3 and GMB by June 2023.	High; implies immediate absorption of 550 TPD additional India capacity.	**DELIVERED** (SG3 commissioned Feb-23).	Market share stagnation.
Guidance	Capex Plan	SG4 (1,100 TPD) expected by Q3 CY24.	Needs □1,000 Cr+ execution over 18 months.	**NEW GUIDANCE**	Funding/ Interest rates.
Guidance	Capex Plan	€34 Mn total capex for GMB Germany.	€24 Mn borrowing planned; €9 Mn already spent.	**IN PROGRESS**	High energy costs in EU.
Strategy	Product Mix	Focus on 2mm tempered glass for bifacial modules.	Only supplier of fully tempered 2mm glass; aligns with ITRPV trend.	**ON TRACK**	Adoption rate of bifacial.
Macro	Policy	Impact of ALMM Suspension until March 2024.	May lead to lower domestic glass demand in the short term.	**UNFAVORABLE CHANGE**	Chinese module dumping.
Strategy	Sustainability	Transition to 30% renewable power in India.	Achieved via 10 MW hybrid plant in May-23.	**DELIVERED**	Spot gas price volatility.

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY23)	This Quarter (Q4FY23)	Direction
Standalone Margin	26.7%	20.3%	↓ Deteriorating
Consolidated Margin	11.6% (2 months)	12.6% (Full quarter)	↑ Improving (Marginal)
India Capacity	450 TPD	1,000 TPD	↑ Improving (Scale)
ASP	□134.3/mm	□132.7/mm	↓ Deteriorating
Export Mix	35.9%	26.6%	↓ Deteriorating (Hedge weakening)
Regulatory Climate	ADD withdrawal pain	ALMM Suspension (New Headwind)	↓ Deteriorating
German Operations	Pre-repair	Post-repair (15% capacity boost)	↑ Improving
Interest Cost (Cons)	□2.06 Cr	□4.8 Cr	↓ Deteriorating (Debt load)
Growth Guidance	SG3 completion	SG4 (1,100 TPD) timeline set	↑ Improving (Visibility)

Investor Notes: * **The Thesis remains volume-led:** The investment case for BRL has pivoted from "high-margin niche producer" to "scale-driven survivor." The thesis relies on the 1,000 TPD (India) + 350 TPD (Europe) scale to lower fixed costs per unit and outlast the current zero-duty import cycle. * **ALMM Suspension is a temporary "dark cloud":** By allowing module imports until March 2024, the government has prioritized solar installation targets over domestic manufacturing. This creates a 12-month demand vacuum that BRL must fill by aggressively chasing the 19% market share it currently holds. * **Earnings Quality:** Core glass margins are being squeezed from both ends—rising input costs and falling realizations. Until trade protections (BCD/ADD) are reinstated or global glass prices rise, BRL is a pure play on volume growth. * **European Recovery:** The German subsidiary's 4.2% margin is the "floor." With the furnace repair now complete and capacity up 15%, H1FY24 should see a significant margin expansion in the consolidated entity if energy prices remain stable.