Borosil Renewables Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Consolidated Miss (Loss) / Standalone Inline (Revenue) **One-line:** The long-term thesis is in a "survival freeze" as massive volume growth from the new SG-3 furnace is completely neutralized by a 21% collapse in realizations and the loss of the domestic "sole producer" moat.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss	Standalone Revenue (□280.2 Cr) up 17.8% QoQ, but EBITDA (□26.6 Cr) fell 52.9% QoQ.	□
Earnings Quality	Moderate	Standalone profit hit by higher depreciation (SG-3) and interest; Interfloat turned EBITDA positive but margins are thin.	□
Guidance Confidence	Weak	Management put the 1,100 TPD expansion (SG-4) "on hold" due to dumping; no visibility on margin recovery.	□
Management Credibility	Neutral	Transparent about the crisis and competitive pressures, but growth targets are now entirely hostage to government policy.	□
Business Quality Signal	Deteriorating	Transitioned from a protected monopolist to a price-taker; realization premium over Chinese imports hit a record low (~3%).	□
Key Q&A Exchange	Q2 - Expansion	Mgmt: "No call for expansion anywhere... SG-4 currently on hold." This halts the 5-year growth trajectory.	□
The Street's Primary Anxiety	Margin Floor	When will dumping stop? Mgmt response: "Pricing dependence will reduce only when local production hits 50-60%."	□
Capital Cycle Stage	Consolidation	Pausing massive domestic capex to conserve cash; focusing on efficiency and high-margin exports.	□
Margin / Return Ratio Trajectory	Deteriorating	Standalone EBITDA margin at 9.5% vs 23.8% in Q1; Consolidated margins under severe stress.	□
Pricing Power	Eroding	ASP dropped to □110/mm (down 14% QoQ and 21% YoY). Forced to align with Chinese landed costs.	□
FCF Conversion & Quality	Weak	Consolidated PBT of -□6.9 Cr; high interest costs (□7.46 Cr standalone) on new capacity.	□
Competitive Moat Signals	Shrinking	3 new domestic plants (1,000 TPD total) have entered, ending BRL's monopoly; ADD protection remains absent.	□
Balance Sheet Strength	Adequate	Sufficient liquidity to survive, but leverage rising to fund overseas working capital and interest.	□
Working Capital Efficiency	Deteriorating	Customer inventories are high as developers wait for lower module prices, slowing glass offtake.	□
Mgmt Guidance Track Record	Mixed	Delivered SG-3 capacity and GMB repair, but failed to secure the BCD/ADD policy shield.	□
Key Vulnerability	Policy/Dumping	Total dependence on the removal of the 1999 BCD exemption for solar glass.	□
Management Tone	Resentful / Cautious	Frustrated by "unabated dumping" and lack of level playing field; defensive on capital deployment.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): Positives: * **Capacity Utilization:** Standalone volume grew 111% YoY as SG-3 stabilized; German plant (GMB) reached 85% utilization post-repair. * **Export Strength:** Export sales grew 98% YoY to □95 Cr (34% of revenue), providing a necessary margin buffer against domestic dumping. * **Interfloat Turnaround:** The European subsidiary generated a positive EBITDA of □10.54 Cr, a sharp recovery from the prior quarter's shutdown-led loss.

Negatives: * **Realization Collapse:** Domestic prices fell 29% YoY following the removal of Anti-Dumping Duty (ADD); ASP at □110/mm is likely near or below the cash breakeven for less efficient players. ***Growth engine stalled:** The 1,100 TPD SG-4 expansion—the centerpiece of the long-term growth thesis—is officially "on hold." * **Structural Scale Disadvantage:** Management admitted Chinese peers have 25-30x BRL's scale and 30-40% lower equipment costs, making BRL uncompetitive without trade barriers. * **Competition:** With 3 new domestic players commissioning 1,000 TPD of capacity, BRL's domestic market share (~20%) is under dual threat from imports and local rivals.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary; Concall used for commentary and unlisted figures.

Metric	Current Qtr (Q2FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (□Cr)	280.20	↑ 66.0%	↑ 17.8%	□	Volume grew 111% YoY via SG-3; revenue growth lagged due to 21% ASP drop.
Revenue Consolidated (□Cr)	401.70	↑ 13.3%	↑ 13.3%	□	Includes □121.5 Cr from Interfloat (GMB Germany) ops.
EBITDA Standalone (□Cr)	26.60	↓ 39.7%	↓ 52.9%	□	Margin erosion due to dumping prices and rising input costs.
EBITDA Margin % (Stand.)	9.5%	↓ 1660 bps	↓ 1430 bps	□	Steep fall from 26.1% YoY and 23.8% QoQ.
Overseas EBITDA (□ Cr)	10.54	N/A	↑ 154.8%	□	Significant turnaround from -□19.23 Cr in Q1 (Prior Context).
Exports incl. SEZ (□ Cr)	95.00	↑ 98.2%	↑ 31.7%	□	Comprises 33.9% of turnover; direct exports were □90.8 Cr.
Avg Selling Price (□/ mm)	110.0	↓ 20.9%	↓ 14.3%	□	Domestic prices dropped 29% YoY; dumping from China/Vietnam/Malaysia.
Production Capacity (TPD)	1,350	↑ 200%	→	□	India: 1,000 TPD (SG1/2/3); Germany: 350 TPD.
Utilization % (India)	Not stated	—	—	→	Mgmt cited high volumes but hit by pricing.
Utilization % (Germany)	85.0%	N/A	↑ 100%	□	Furnace back online since mid-May 2023.
Standalone PBT (□ Cr)	-6.90	↓ 121.0%	↓ 159.6%	□	Loss driven by lower EBITDA and higher interest/depreciation (□32.4 Cr).
Net Debt / Equity (x)	~0.45	—	↑	□	Increasing debt for GMB (€24 Mn loan) and India expansion.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	EBITDA Margin	Trend	vs Co. Avg	Key Development
Standalone (India)	280.20	66.0%	9.5%	□	Above PBT	Volume hit record levels but margins collapsed.
Interfloat (Germany)	121.50	N/A	8.7%	□	Below PBT	Furnace repair done; reaching 350 TPD capacity.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	□300 Cr+ Standalone quarterly revenue.	Needs full utilization of 1,000 TPD and ASP stability.	SG-3 Delivered.	Demand risk (High).
Guidance	Capacity	SG-4 (1,100 TPD) by CY25.	**ON HOLD.** Currently not feasible at current ASPs.	**PAUSED.**	Policy risk (Binary).
Strategy	Pricing	Maintain 3% premium over imports.	Management admitted premium fell from 8% to 3%.	**ERODING.**	Commodity risk.
Strategy	Efficiency	Use of Green Energy (30% current).	Target to increase share in CY24 via new hybrid plant.	In progress.	Execution risk (Low).
Macro	Policy	Removal of BCD exemption by Mar '24.	Mgmt "hopeful" but no firm timeline from government.	Ongoing struggle.	Policy risk (High).
Macro	Industry	100 GW module capacity in India (3 yrs).	Requires massive acceleration in installations (currently 5GW/H1).	External-led.	Regulatory risk.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Pranay Shah	Policy	Macro	What is your view on the basic duty and antidumping duty on the Chinese solar manufacturers?	Management expects the BCD exemption to end by 31st March 2024, emphasizing that they are only seeking a level playing field against subsidized imports. Re-imposition of 15% BCD is the single most critical catalyst for standalone margin recovery.	None	3.0	Policy Hope
2	5.0	Sharan N	Expansion	Capex	Is it possible that you do an expansion in Germany before India because the business is doing good there?	Management stated that global module price declines have hit Germany as well, putting all expansion plans on hold until policy measures (India BCD or EU protection) are firm. The suspension of SG-4 (1,100 TPD) effectively caps BRL's growth until 2025-26.	None	4.0	Cautious
3	3.5	Sharan N	New Biz	Strategy	Are you exploring the recycling business with a JV?	Management confirmed they are exploring solar panel recycling methods but it is too premature to define the corporate	None	3.0	Exploratory

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						structure or location. This represents a long-term optionality rather than a near-term margin driver.			
4	4.0	Jiten Rushi	Pricing	Financials	What is our current price premium to blended price of Chinese and Malaysian glass?	Management admitted the premium has shrunk to a negligible 2% to 3%, with prices now virtually aligned to landed import costs. This signals a complete loss of pricing power and transitions BRL into a pure commodity play.	None	5.0	Specific
5	4.0	Akshay Satija	Realization	Financials	What would be your selling price in export markets versus India?	Management noted export prices are 30% to 40% higher than Indian domestic prices due to existing anti-dumping duties against China in those geographies. Higher export mix is the only viable near-term strategy to offset domestic losses.	None	4.0	Directional
6	4.5	Vivek Gupta	Margins	Financials	Have the margins bottomed out	Management was unable to confirm a floor,	Margin Floor	1.0	Deflected

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					or is the worst still not over?	stating Chinese prices change weekly and the situation remains "uncertain." The lack of margin visibility makes the stock's valuation a moving target.			
7	4.0	Vivek Gupta	Competitive Strategy	Strategy	What are the plans if BCD is not resumed?	Management emphasized focusing on operational improvements, new product development (thinner glass), and value-added exports. Survival without BCD would require a massive shift toward high-end specialty glass (Greenhouses, BIPV).	None	3.0	Generic

PATTERN FLAGS & SENTIMENT * **Policy Hostage:** Every analyst question circled back to ADD/BCD. Management's posture is one of "hopeful frustration"—they have built the capacity (SG-3) but cannot profitably sell the volume without government intervention. * **Structural Disadvantage:** Management's frankness about Chinese scale (30x larger) and the shrinking domestic premium (3%) suggests that the "sole producer" moat has not just narrowed but vanished. * **The Interfloat Weight:** While Europe is improving, analysts remain skeptical about its ability to carry the group if India remains loss-making at the PBT level.

Analyst Sentiment Verdict: Analysts were **cautious and skeptical**. The primary friction point was the management's inability to define a margin floor or a timeline for duty re-imposition. The decision to halt SG-4 was seen as a prudent but bearish admission that the current business model is unviable at current global prices.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Expansion** | SG-4 (1,100 TPD) in progress. | **On Hold.** | Paused to conserve capital during price war. | Significant delay in future revenue scaling. | | **Pricing** | Premium player. | **3% premium.** | Moat has eroded to near-zero. | Structural margin compression. | | **Demand** |

Acceleration expected. | **1.7 GW installs.** | Pace is slowing (vs 3.1 GW YoY) due to inventory. | Under-utilization risk for new SG-3. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY24)	This Quarter (Q2FY24)	Direction
Standalone EBITDA Margin	23.8%	**9.5%**	↓ Deteriorating
ASP	□128.4/mm	**□110.0/mm**	↓ Deteriorating
Growth Status	Active (Planning SG-4)	**On Hold**	↓ Deteriorating
Interfloat (Europe)	-□19.23 Cr EBITDA	**□10.54 Cr EBITDA**	↑ Improving
Standalone PBT	□11.58 Cr	**-□6.90 Cr**	↓ Deteriorating
Pricing Premium	7-8%	**~3%**	↓ Deteriorating
Germany Utilization	Shutdown / Cold Repair	**85% Utilization**	↑ Improving

INVESTOR NOTES: * **The "Wait and See" Mode:** The investment thesis is now a binary bet on government policy. Without the 15% BCD, BRL is a high-cost producer in a flooded global market. * **Negative Operating Leverage:** While revenue is growing via SG-3 volumes, the high fixed costs (Depreciation/Interest) are being amortized over lower unit realizations, leading to PBT losses. * **Interfloat is the Wildcard:** If the German government implements the 10 GW local subsidy program, the European subsidiary could transition from a drag to the primary profit driver. * **Watchpoint:** Monitor the March 31, 2024, BCD exemption deadline. If not removed, the company's ability to resume SG-4 and maintain its credit profile will be significantly impaired.