Borosil Renewables Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Mixed (Strong Standalone Beat | Major Consolidation Miss) **One-line:** The structural recovery thesis is delayed by a "perfect storm" of pre-emptive Chinese dumping (32% price cuts) and a deepening crisis in the German subsidiary, shifting the critical trigger from the now-active 10% BCD to the pending Anti-Dumping Duty (ADD) implementation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Mixed	Standalone EBITDA margins (20%) beat expectations; Consol PAT remains negative due to Germany.	□
Earnings Quality	High (India) / Low (Consol)	India unit is profitable (□12.6 Cr PAT); Germany is burning cash (□-16.8 Cr EBITDA).	□
Guidance Confidence	Weak	Expansion of 1,100 TPD moved from "reconsideration" to "officially on hold."	□
Management Credibility	Neutral	Successfully lobbied for BCD and ADD recommendation, but German turnaround remains elusive.	□
Business Quality Signal	Bimodal	India unit shows resilience/efficiency; German unit faces existential demand risk.	□
Key Q&A Exchange	Q#5 - ADD Mechanism	Reference price model ($673/t China) provides a structural floor against dumping.	□
The Street's Primary Anxiety	Inventory Overhang	Sept imports hit 9,000 TPD (5x normal) ahead of BCD; will wash out Q3 volumes.	□
Capital Cycle Stage	Consolidation	Deleveraging via □450 Cr Rights Issue prioritized over growth capex.	□
Margin Trajectory	Improving (India)	Standalone EBITDA margin rose from 12.3% to 20% QoQ.	□
Pricing Power	Eroding (Global)	Chinese exporters slashed prices 32% between June-Sept, neutralizing BCD.	□
FCF Conversion	Distorted	High depreciation (□33.3 Cr) masks cash burn in Germany.	□
Competitive Moat	Widening (India)	Only domestic player with scale to navigate the current "inventory war."	□
Balance Sheet	Stressed	Rights issue is non-negotiable for survival of the next cycle.	□
Working Capital	Deteriorating	Customer stockpiling of cheap imports will stall domestic off-take in Q3.	□
Mgmt Tone	Resolute but Cautious	High confidence in policy protection; candid about "unsustainable" pricing.	□

Sentiment: □Neutral **Key Takeaways (Positives & Negatives):** * **Positives:** The India standalone business has achieved a significant operational turnaround, hitting 20% EBITDA margins despite global dumping. This was driven by production efficiencies and the "pricing umbrella" provided by high ocean freights. The DGTR's recommendation of a "Reference Price" based Anti-Dumping Duty (ADD) is a superior protection mechanism compared to a fixed duty, as it creates a hard floor ($673/ton for China) that protects against further Chinese price collapses. * **Negatives:** The German subsidiary (Interfloat) has become a severe drag, with EBITDA losses widening to □16.85 Cr this quarter. Globally, Chinese manufacturers have effectively neutralized India's 10% BCD (implemented Oct 1) by slashing FOB prices by 32%. Furthermore, the massive inventory build-up in Sept (9,000 TPD imports vs. ~2,000 TPD normal) creates a "volume desert" for BRL in Q3. * **Street Concern:** Analysts are rightly worried about the timeline for the 1,100 TPD expansion. Management's response—placing it on hold until ADD is finalized—indicates a shift from growth-at-all-costs to balance sheet preservation. * **Watchpoint:** The Ministry of Finance's final notification of the ADD. Without this "floor price," the BCD alone is insufficient to protect margins against the current scale of Chinese predatory pricing.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures are primary. Concall used for German breakdown and ASP commentary.

Metric (Consolidated)	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (□ Cr)	264.94	↓ 5%	↑ 10%	↑	Volume growth offset by lower realizations vs LY.
Revenue Consol (□Cr)	372.42	↓ 7%	→ 0%	→	India growth offset by German demand collapse.
EBITDA Standalone (□ Cr)	52.88	↑ 99%	↑ 78%	↑	Driven by efficiencies and freight-led pricing support.
EBITDA Margin % (India)	20.0%	↑ 110%	↑ 62%	↑	Significant operational inflection.
PAT Consolidated (□ Cr)	-13.13	↓ 143%	↑ 8%	→	Loss narrowed slightly but Germany remains a drag.
Exports (□Cr)	34.39	Not stated	↑ 53%	↑	13% of standalone turnover (vs 9.3% in Q1).
Avg Selling Price	Not stated	↓ 30%*	↓ 20%*	↓	*Based on mgmt comment on Chinese price cuts.
Production Cap (TPD)	1,350	→ 0%	→ 0%	→	India (1000) + Germany (350).
Utilization (India)	~100%	→ 0%	→ 0%	→	Running at full capacity.
Overseas Revenue (□ Cr)	107.48	Not stated	↓ 17%	↓	German demand remains extremely weak.
Overseas EBITDA (□ Cr)	-16.85	Not stated	↓ 608%	↓	Drastic deterioration from -□2.38 Cr in Q1.
Net Debt / Equity	Stressed	→	→	→	Awaiting Rights Issue to deleverage.
Working Capital	Deteriorating	→	↓	↓	Customer inventory stockpiling hitting new orders.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
India Operations	264.94	-5%	20.0%	↑	Above	Turned PAT positive (□12.62 Cr).
German Operations	107.48	Not stated	-15.7%	↓	Below	Negative EBITDA of □16.85 Cr.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Margins	20-25% EBITDA (Post-ADD)	Needs ~□12-15/sqm realization lift.	Standalone hit 20%.	Medium
Guidance	Volume / Capacity	Expansion to 2,450 TPD	Currently 0 (On hold).	**Delayed/On Hold.**	High
Strategy	Capital Allocation	□450 Cr Rights Issue	Expected Q3/Q4 launch.	Final SEBI obs received.	Medium
Strategy	Competitive Pos.	2mm / Bifacial focus	Industry shifting to glass-glass.	Delivered.	Low
Macro	Policy Protection	ADD Implementation	MoF notification in 60-90 days.	Provisional Rec made.	Medium
Balance	Debt Reduction	Use Rights proceeds for debt	□450 Cr needed.	Ongoing.	High

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Omkar / Tradebrainz	Germany	Financials	"Why don't you do outsourcing manufacturing... in Germany?"	Management explained that high manpower and energy costs are structural but were historically offset by high revenue; the current crisis is a demand collapse due to lack of European module protection. This implies the German unit will remain an EBITDA drag until European trade barriers are erected.	None	3.5	Directional
2	4.5	Omkar / Tradebrainz	Competition	Financials	"Why can't [electronic manufacturing strategies] be used... backward integration?"	Management clarified that solar glass is not an assembly business but a raw-material-intensive process (sand/ energy) where backward integration into soda ash or gas is unfeasible. This confirms BRL is a price-taker on major inputs, making EBITDA	None	4.0	Clear

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						highly sensitive to energy prices.			
3	4.0	Sunny / IAF	Debt	Financials	"Are you planning to pay off fully long-term debt only?"	Management confirmed the ₹450 Cr Rights Issue proceeds are intended for debt reduction across India and Germany. This deleveraging is critical to reduce the ₹16.9 Cr quarterly interest burden.	None	4.0	Specific
4	4.5	Sunny / IAF	Capex	Capex	"How much time it will take to do the capex, which is on hold?"	Management stated that once the Board decides to proceed (post-ADD), it will take 18 months to start production for the 1,100 TPD brownfield project. This effectively pushes new capacity out to at least late FY27.	None	5.0	Specific timeline
5	5.0	Sumit / Axis Capital	Policy	Financials	"What are the key provisions... of the recommended levy of provisional ADD?"	Management revealed the ADD is a "Reference Price" model ($673 for China, $565 for Vietnam)	None	5.0	Quantified

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						where the duty is the difference between the landed price and the reference price. This is a massive thesis-strengthening development as it floors the realization regardless of how much Chinese FOB prices crash.			
6	4.5	Sumit / Axis Capital	Inventory	Business	"32% price cut... how does this compare with your average realization?"	Management admitted Chinese prices fell 30% this year, and while BRL realizations held better, Sept imports surged to 9,000 TPD (5x normal). This confirms Q3 will face significant volume pressure as customers consume this stockpiled inventory.	None	4.0	Credible

PATTERN FLAGS & SENTIMENT * **Theme 1: The "Reference Price" Shield.** Analysts were highly focused on the ADD structure. Management's revelation of a "Reference Price" mechanism ($673/ton) shifted the tone from defensive to opportunistic. This mechanism is superior to a fixed duty because it neutralizes the 32% price cuts recently made by Chinese exporters. * **Theme 2: The German Drag.** Persistent questioning on Germany's high cost-to-serve (30% energy, 30% labor) reveals growing analyst impatience. Management was candid but unable to provide a near-term turnaround catalyst other than "looking for orders in the US."

Analyst Sentiment Verdict: CONVINCED on India, SKEPTICAL on Germany. The mood was balanced; the standalone profitability turnaround provided a "proof of concept" for the business model, but the Sept inventory surge and the German EBITDA burn are significant near-term overhangs. Management's credibility improved due to the specific detail provided on the ADD reference prices.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Expansion Timeline | Target CY25 for 1,100 TPD. | Officially "on hold." | 18-month clock hasn't started yet. | Growth delay. | | German Recovery | Efficiency capex to narrow loss. | EBITDA loss widened to 16.8 Cr. | Losses accelerating despite capex. | PAT drag. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY25)	This Quarter (Q2FY25)	Direction
India EBITDA Margin	12.3%	20.0%	↑ (Inflection)
German EBITDA	-2.38 Cr	-16.85 Cr	↓ (Deteriorating)
BCD Status	Expected (Oct 1)	**Active (10% BCD)**	↑ (Delivered)
ADD Status	Investigation ongoing	**Provisional Recommendation**	↑ (Major Trigger)
Import Intensity	~2,000 TPD	**9,000 TPD (Sept)**	↓ (Inventory Glut)
Expansion Plan	Reconsidering	**On Hold**	↓ (Growth Pause)
Global Glass Price	Down 10%	**Down 32% (predatory)**	↓ (Eroding)

Investor Notes: * **Thesis Change:** The thesis has moved from "Policy Hope" to "Policy Execution." The BCD is in, and ADD is recommended. However, the *benefits* are deferred to Q4/FY26 because of the massive Q2 inventory dump. * **Forensic Trigger:** CFO-to-PAT divergence remains significant. PAT is negative (-13.13 Cr) but Consol Depreciation is 33.30 Cr. The business is generating positive operating cash, but all of it is being consumed by the 16.9 Cr interest expense, making the Rights Issue the single most important solvency event. * **The "Reference Price" Floor:** $673/ton (China) and $565/ton (Vietnam) are the new magic numbers. If MoF notifies these, BRL's floor realization is protected regardless of global price wars.