BOROSIL renewables
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February 20, 2023

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 **Scrip code: 502219**	**National Stock Exchange of India Ltd.** Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Symbol: BORORENEW**

Dear Sir/ Madam,

Subject: Transcript of Institutional Investors and Analysts Conference Call

We enclose transcript of conference call with Institutional Investors and Analysts which was held on February 14, 2023.

You are requested to take the same on record.

Yours faithfully,

For Borosil Renewables Limited

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"Borosil Renewables Limited Q3 FY23 Earnings Conference Call"

February 14, 2023

MANAGEMENT: MR. P. K. KHERUKA – EXECUTIVE CHAIRMAN
MR. ASHOK JAIN – WHOLE-TIME DIRECTOR
MR. SUNIL ROONGTA – CHIEF FINANCIAL OFFICER
MR. SWAPNIL WALUNJ – HEAD OF MARKETING

MODERATOR: MR. JITEN RUSHI – AXIS CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of Borosil Renewables Limited hosted by Axis Capital Limited.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jiten Rushi from Axis Capital Limited. Thank you and over to you, sir.

Jiten Rushi: On behalf of Axis Capital, I am pleased to welcome you all to the Borosil Renewables' Q3 FY23 Earnings Conference Call. We have with us the Management Team of Borosil Renewables represented by Mr. P. K. Kheruka – Executive Chairman, Mr. Ashok Jain – Whole-time Director, Mr. Sunil Roongta – Chief Financial Officer, and Mr. Swapnil Walunj – Head of Marketing.

We will begin with the opening remarks from the management followed by an interactive Q&A session. Thank you and over to you, sir.

P. K. Kheruka: Good afternoon and welcome to Borosil Renewables' 3rd Quarter FY23 Investor Call. The Board of Borosil Renewables on 13th February approved the Company's Financial Results for the 3rd quarter and 9 months ended on 31st December 2022. Our Results and an updated Presentation have been sent to the stock exchanges and have also been uploaded on the Company's website. We will discuss the operations of Borosil Renewables on a stand-alone basis. I will thereafter provide you some highlights of the operations in our newly formed acquired overseas subsidiaries.

During the 3rd quarter, the Company recorded net revenue from operations at Rs. 161 crores, a decline of 4% over quarter 3 FY22. Overall, domestic demand for solar glass has remained strong as the manufacturing of domestic modules for local installations as well as for exports increased. This additional demand has been met through higher imports owing to limited availability of domestic manufacturing capacity, and hence the estimated market share of Borosil Renewables in the domestic market currently has come down to about 19%. Export sales during the 3rd quarter of the current financial year including to customers in SEZ were higher at Rs. 58 crores comprising 35.9% of the turnover as against 26.5% in the same quarter last year. Average prices of solar tempered glass during the last quarter were about Rs. 134.3 per square meter per mm, a decline of 5% over the similar quarter in the previous year and a decline of 4% over the previous quarter of the current financial year. The price decline was a result of discontinuation of anti-dumping duty on the import of solar glass on China with effect from 17th August 2022 as also a steep reduction in ocean freight rates, both leading to a lower landed cost of imports into India, which is generally used as a benchmark for domestic pricing.

The Company was able to contain the decline in average price by following a strategy to cut low-price domestic volumes and raise the exports which are at higher prices. Post 17th August 2022, there is no anti-dumping duty on imports of solar glass, which continue to enjoy an exemption from payment of basic customs duty as well for the last 24 years. Ironically, solar glass is the only component in the entire solar photovoltaic value chain which has no import duty whatsoever, though it is the most capital intensive component with a low asset turnover ratio. This leads to a complete absence of a level-playing field for domestic manufacturing of solar glass against heavily subsidized and dumped Chinese imports. During quarter 3 of the current financial year, the Company earned an EBITDA of Rs. 43.1 crores. The EBITDA margin at 26.7% which was almost at the same level as in quarter 2 FY23, although the same was about 1,800 basis points lower compared to the same quarter last year owing to decline in average selling prices and rise in the cost of raw materials and energy.

The EBITDA on one hand includes Rs. 9.8 crores income on account of exchange rate difference and interest income on loans given to the overseas subsidiaries. The EBITDA excludes an amount of Rs. 6.6 crores being profit carried forward due to reversal of sale compared to such exclusion of Rs. 3.2 crores in the same quarter last year owing to accounting treatment under Ind-AS. Thus, comparable EBITDA without these impacts would be Rs. 36.7 crores, i.e., to say about 22.7% of net revenue.

During quarter 3 of the current year, the Company earned a profit before tax of Rs. 30.1 crores. The profit after tax was Rs. 22.5 crores as compared to Rs. 45.7 crores during the same quarter last year, a decline of 51%.

For the 9 months ended December 2022, the Company clocked a revenue of Rs. 500.6 crores, a growth of 8% over the corresponding 9 months of the previous financial year. The Company earned an EBITDA of Rs. 138.5 crores, a margin of 27.7% and a profit after tax of Rs. 76.9 crores, i.e., a PAT margin of 15.4%. Commissioning of the 10 megawatt captive power plant of solar plus wind energy being set up through an SPV in which BRL has 31% shareholding which was planned in December 2022 has been delayed and is expected to come on stream from April 2023 after receiving relevant approvals from the state authorities. We will be able to increase the use of green power in our manufacturing, as also reducing the average power cost. We are also looking to set up an additional 8 megawatt solar plus wind power plant once there is enough clarity on the regulations.

The overall demand situation for solar glass continues to look extremely robust in India and we expect a huge increase in the module manufacturing capacity as the new plants are getting added. The domestic module manufacturing capacities are expected to rise to 65 gigawatts from about 25 gigawatts currently, which will increase the demand to 3x from the present levels in the next 2-3 years.

The Union budget 2023 had many announcements for the growth of renewable energy sector in India and a few of them are as follows. Allocation to MNRE of Rs. 10,222 crores for financial year '24 which is about 45% higher compared to the previous year, Rs. 19,000 crores for National Green Hydrogen Mission which aims to achieve 5 MMT production by 2030, Rs. 35,000 crores for priority capital investment towards energy transition and net zero objectives and energy security by MoPNG, Rs. 20,700 crores for interstate transmission system for evacuation and grid integration of 13 gigawatt renewable energy from Ladakh.

I am happy to share that trial production from our 3rd furnace SG#3 has started from 26th January 2023. The furnace is under stabilization and we expect commercial production to begin soon. Our capacity has now risen to 1,000 tonnes per day (6 gigawatts) from 450 tonnes per day. With this, we will be in a position to more than double our sales and also achieve some operating leverages. The recently acquired German plant has added an operating range of 300 tonnes per day to BRL's manufacturing capacity and also widened its range of offerings including various textures, coatings, dimensions, and thickness and is bringing in synergies in manufacturing and sales operations in India and Europe. The plant is operating at about 95% capacity. Cold repair of this furnace will be carried out during March and April over 45 days, and thereafter, the furnace will be put back into production.

We are also executing the CAPEX plan for rising production capacity along with debottlenecking and new machineries to increase efficiency and also achieve capability to supply larger size glass and make the processes more efficient. An overall CAPEX of €34 million will be incurred on this of which €9 million has already been done from internal funds.

The consolidated results for the quarter in 9 months including the operations of Interfloat Group from acquisition to 31st December 2022 has also the wholly-owned subsidiaries abroad, the Interfloat Group registered a revenue of Rs. 84.36 crores equivalent in this period with an EBITDA of Rs. 6.3 crores registering an EBITDA margin of 7.4% which we were able to achieve despite extremely high energy and raw material prices. The consolidated net revenue and EBITDA stand at Rs. 246 crores and Rs. 28.5 crores respectively. The EBITDA is net of acquisition expenses of Rs. 18.84 crores debited in the profit & loss account of the 2 overseas holding companies.

With the announcement of the Green Deal Industrial Plan by the European Union, implementation of Inflation Reduction Act in the USA, and favorable policy and fiscal support for domestic solar module manufacturing in Turkey, the technology development and solar module manufacturing activity is expected to substantially increase in these overseas markets. As a result of this, the export demand for solar glass continues to look extremely robust. We see growth opportunities for meeting this requirement. Most nations are trying to raise domestic production of solar cells and modules and also trying to reduce dependence on Southeast Asia which places India in an advantageous position for exports. Our step of having manufacturing in Europe complements well with expanding production in India to meet the higher demand in export markets.

With that, I would now like to open the floor to questions that you may have.

Moderator: We will now begin the question & answer session. The first question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

Mohit Kumar: A few questions from my side, sir. Of course, we have this new cell and module capacity which is coming up. Do you think the capacity utilization to be muted and rise gradually over the next few quarters or do you think we will be able to operate at a much higher capacity from Q1 FY24?

Ashok Jain: As we speak, the current manufacturing is almost 10 to 11 gigawatts in the country for solar modules and the capacities are filled up already. The module manufacturing capacity in the country already has crossed 25 gigawatts and the activity is going up. Yes, you are right that solar cell manufacturing capacity is still low and the new capacities are to be still added in the forthcoming future. But imported solar cells are being used by domestic manufacturing. So, we believe that this expanded capacity though will take time, it will not be a bottleneck in terms of using the module capacity.

Mohit Kumar: Can you expect a gradual ramp-up or you are expecting the full ramp-up from the first quarter itself?

Ashok Jain: For the furnace, you are saying?

Mohit Kumar: Yes, sir, for furnace.

Ashok Jain: Furnace we will ramp up immediately as soon as we get the production to the right efficiencies and all, we will ramp it up. Last time when we commissioned our furnace in 2019, we could do so in about a month's time. We would like to do it as fast as possible because the demand exists and we would like to sell more quantities.

Mohit Kumar: Sir, a related question is that has there been any new cell and module capacity which has come up in the last few quarters? Adani capacity is up and running. Anything else, sir?

Ashok Jain: Module capacities, a lot of capacities have got added. Particularly by Waaree Energies large capacities have been added as you may know. They are almost at 9 gigawatts now as compared to 3 to 3.5 gigawatts they were about 6 months or 8 months back. So, they have added a huge capacity. The other people also have gradually added capacities, but this is by far the biggest capacity which has been added. In terms of solar cell manufacturing, nothing substantial has been added except Adani.

Mohit Kumar: Lastly, of course, we see the export sales have increased during the quarter and is meaningful and its contribution has gone up. Is it entirely exposed to Europe right now? And are we seeing any new inquiries from Europe for tying up some incremental capacities?

Ashok Jain: Exports are, you're right, generally to Europe and also to Turkey. Turkey also happens to be a very fast-growing market. And there are a lot of new plants also coming up in Turkey adding capacities and existing module manufacturers are also adding capacities. So, there is a large market in Turkey. In Europe also, growth is happening, and we are getting inquiries from existing as well as new customers there.

Moderator: The next question is from the line of Bala Murali Krishna, an individual investor. Please go ahead.

Bala Murali Krishna: Sir, I want to know that the European margins are very low. How long it will be this kind of EBITDA margins will continue?

Ashok Jain: European margins; when we started to look at the opportunity, the margins were running high. But as you all know, the Russia and Ukraine war has put the gas prices to such a high level that it has become difficult to earn any margins in the glass industry in Europe. But fortunately by efficient working at the German plant level, we have been able to stay positive in terms of EBITDA margin. As we speak, the gas prices and electricity prices have come off quite a bit. The gas prices have come down to almost €60 as against €150, €140, as you would have noticed in the last couple of months. And also the power prices have gone down. So, currently, the situation is better. We have to live with whatever has happened in 2022 because the EBITDA margins were only in single digit, about 7% or so. We hopefully will be able to do better.

Bala Murali Krishna: Just a follow-up on this, sir. In Q4 or Q1, can we expect some improvement in margins?

Ashok Jain: Q1 at the German plant level you are saying?

Bala Murali Krishna: Yes.

Ashok Jain: We are trying to improve the margins. It's a continuous exercise. We cannot commit any digits on that. But of course, we would like to show a better picture as we close the quarter 1.

Bala Murali Krishna: This quarter we have some significant export revenues. I would like to know what would be the difference in the realization for the domestic and exports. And do we see this trend will continue in this quarter and upcoming quarters also?

Ashok Jain: You are asking separate realization for export and domestic. Is that your question?

Bala Murali Krishna: Yes, sir. That is the question. And also in this Q4 and the upcoming quarters also, can we expect more export revenues compared to domestic?

Ashok Jain: As far as the export and domestic realizations are concerned, the sales are on a monthly basis and we cannot be sure of what realization will come for a particular quarter. The prices, of course, are staying at current levels. So, we can assure you that we will sell it at market price. In terms of the growth in the export market, already 32% to 33% of our sales are going to the export market. And I think if we maintain that level, it will be quite good. In fact, the percentage level might go down because now we will have increased production from furnace 3, which will substantially increase the output available. So, our target would be to at least make 25% of the turnover in exports, but the volume would have gone up substantially as the numbers will double.

Moderator: We have the next question from the line of Jiten Rushi from Axis Capital Limited. Please go ahead.

Jiten Rushi: Sir, the first question from my side is what proportion of the exports are to locations with anti-dumping duty against China and probably how competitive are we in those areas where there is no duty?

Ashok Jain: Basically, there are anti-dumping duties in Europe and Turkey against China and which is where our maximum exports are there actually and non-duty areas like USA and MENA countries, our exports are limited. There is a direct competition from China there and prices are low. So, yes, the markets available to us where we can really make better margins are Europe and Turkey where we export our maximum volume, almost 90% to 95%.

Jiten Rushi: Of your total export, 90% to 95% into Europe and Turkey?

Ashok Jain: Yes.

Jiten Rushi: But any natural calamity in Turkey will impact our revenue in Q4 and Q1? What is your view based on the insights you have received in the last couple of weeks or 10 days?

Ashok Jain: Yes, of course, these things can affect, but we are not depending on one particular area or one particular customer. And we have ability to move our volumes to different geographies. Like in India, the demand is quite high where we are able to provide only limited quantity in Indian market compared to what the requirement is. We have ability to move our volumes to different geographies and different customers. Currently, as you are referring to Turkey's situation, disruption has been generally in South Turkey, closer to Syria border. All our customers are in the northern area generally. In fact, our team has just visited and completed their visit to Turkey; they have come back on Saturday only, and all the plants have been operating there.

Jiten Rushi: Basically, we will not see any impact on revenue from Turkey?

Ashok Jain: No. In fact, we are trying to increase our revenue there.

Jiten Rushi: And sir, probably in this quarter, what is the export portion in terms of revenue?

Ashok Jain: In Q3, our export is about 33%.

Jiten Rushi: And in 9 months?

Ashok Jain: 9 months would be slightly lower. 27.5%.

Jiten Rushi: Sir, what would be the blended margin? Probably margins from India and margins from exports, what would be the EBITDA margin from these 2 regions? And what can be the blended margin going forward in terms of guidance?

Ashok Jain: Our blended margins are shown in the results, which is at about 24% to 25%. Separately we are not declaring any margins for export and domestic markets.

Jiten Rushi: But is it safe to assume that in domestic, we would be earning better margins, higher margins?

Ashok Jain: On the contrary, the exports are giving better margins.

Jiten Rushi: Sir, if at all after the removal of anti-dumping duty or import from China in India, what is the net value proposition for our customers in India to buy from Borosil versus importing from China? And what is the pricing difference or any other value that customers will see from buying from Borosil? Can you just quantify these, please?

Ashok Jain: It is difficult to quantify. What, in nutshell, we can say is that there are more than 100 customers in India – more than 100 module manufacturers. Some of them do have imports and many of them do not have imports. Almost 15 to 20 customers may be importing and rest are not importing; they buy completely from us, and they are rather medium or smaller scale players. The larger ones do have import as a necessity because our production is not sufficient to meet all the demand. In terms of the product quality and product servicing and offering, more or less the products are the same except that whatever advantage we offer from being a local source, that's an added advantage to the customers where they can have flexibility in ordering and receiving goods, shorter delivery periods, warehousing, inventory costs, all those benefits are there for local sourcing. That's where the local production comes in actually.

Jiten Rushi: And sir, any update on the second PLI which has happened in February. Any participation from your side?

Ashok Jain: No, we are not eligible for PLI. Only the solar cell, module and polysilicon and that will be probably taking place in the next month.

Moderator: The next question is from the line of Sharan, an Individual Investor. Please go ahead.

Sharan: My first question is, as you were saying you have challenges with respect to oil and gas prices spiking. I just want to check whether the furnace can run on green electricity, because I read in an article where there are furnaces in some companies, they are running with green electricity as well. So, I just wanted to check do your furnaces also can run on electricity instead of oil and gas?

Ashok Jain: These are large furnaces which are basically run on gas or oil only worldwide. Only small furnaces are capable of being run on electricity. But these kind of furnaces, of course, run on natural gas or furnace oil or simultaneously they can be operated on both the fuels. Of course, there is a research and there is a trial going on for using green hydrogen in furnace, which is still a few years away, I think. But electricity cannot be used for such large furnaces.

Sharan: Can you explain SG#4 and SG#5 CAPEX timeline? I think it is already mentioned, but the CAPEX funding, basically, how much it will be internal and how much it will be raising the fund via QIP or anything? Also a couple of years back, if I remember, a long-term investor they participated in QIP and then later within a year or so, they exited. Are you expecting any long-term investors to come in now as part of further expansion in Germany as well as in India for SG#4 and SG#5? Can you throw some light on that.

Ashok Jain: Currently, we are focusing on stabilizing SG#3 commercial production. And once we have started to earn some revenue and profitability from this project, which should happen soon, thereafter, we will take a stock of the complete situation prevailing in the ecosystem like what kind of expansions are coming, how the module manufacturing is growing, what kind of duty structures prevail and then our Board will possibly meet and take a call when to start the next round of expansion. We will come back to you as soon as the Board meets and decides on this particular aspect. Right now, we are focusing on SG#3 commercial production.

Sharan: And what's the status of the re-investigation of anti-dumping duty. It's in the Gujarat High Court, if I am not wrong. And also this year again by August if there are new players who will start producing the glass locally, that means there will be multiple players in India itself. Are there any chances that this year again there will be anti- dumping duty?

Ashok Jain: Anti-dumping duty has been withdrawn, as you know, from 17th of August. After that, we have gone to Gujarat High Court by way of writ petition. The writ petition has come for hearing many times, but it has got postponed all the time. The hearing is yet to take place. So, we do not see a quick result coming from whatever effort we are making in the high court. In terms of continuation or a new duty, it's a complete exercise. The complete data has to be submitted to the Ministry of Commerce. They have to examine, they have to cross-examine, they have to seek responses from various stakeholders, and it's a long-drawn process of almost a year. We have not moved any application for new duty, but the old duty application has died unless the court instructs the Finance Ministry to revive it.

Sharan: My last question is, as you mentioned and we all are aware, globally the demand is increasing for renewable energy and solar, right? Do you see across the globe, the availability is meeting the requirement or it's still below the requirement? Mainly, how about China? Local also, demand is more, right? Then they will be able to fulfill local demand and their export will be reducing in future you see, which will be beneficial especially for Borosil?

Ashok Jain: China, as you may know, has the biggest capacity of entire solar value chain. In many cases, they control almost 95%. Like in solar glass, they control 95% to 97% of the world market. Then, in components and other things also, they control almost 90% of the market. In module manufacturing also, they have 75% plus market share in manufacturing. So, they obviously dominate the whole scene in the solar PV value chain. And unless their domestic demand is quite high, they try to export their extra production to overseas markets which is where the challenge comes in terms of the supply-demand mismatch. In terms of the module installation, last year the numbers which we have seen are quite good and they are almost as per the target. Next year projections are still very high. So, we believe that the demand in FY23 is going to be much better compared to even last year. More than 300 gigawatt of installations are planned for this year worldwide.

Moderator: The next question is from the line of Sumit Gugnani, an individual investor. Please go ahead.

Sumit Gugnani: Sir, I have 2 questions. One, I understand that your European cold repair furnace will happen in March and April. Is that for 2 months? And in your last call, you had mentioned that you were planning to substitute or send in products from the domestic market furnace to the existing customers of the European furnace during that period. Has that been qualified or are we going to miss out on sales? That's the first question.

Ashok Jain: European furnace at GMB is going to be brought down for repair by the middle of March. That is the plan. And generally speaking, it should take about 45 days to come back to production. We estimate that time to be maintained but one is to provide for contingency. So, maybe 1 or 2 weeks that we may provide more. That's how 2 months is possible, but we would like to finish it in 45 days.

In terms of the supply of glass from India to customers in Europe at the time of shutdown period, we are working with the team at German plant what quantities for which customers may be required. We also have export to many of the customers which are common between the 2 plants, and it will be possible to use the glass supplied from India for those customers seamlessly without any further like, say, checking or certification or examination of the quality parameters and all. That will be done as and when it is required and in respect of whichever customers it is needed in the month of March and April.

Sumit Gugnani: The second question is regarding the input prices of gas. Both for the domestic supply as well as in Europe, we all know natural gas has been very volatile. So, are your contracts fixed or are they variable? And if they are fixed, for what tenure are they fixed? They spiked up a lot, now they have come down a lot. So, do you buy on the spot basis or do you have a long-term contract separately for domestic and separately for Europe? So, there are 2 questions within that.

Ashok Jain: For the plant in India, which is Borosil Renewables plant, we had contracts of gas for 5 years with GAIL under various arrangements. Those contracts have expired in December 2022. New contracts are yet to be entered. Because the prices are still high, what we have done is to mitigate this high cost of natural gas or, say, RLNG, we have started to use furnace oil. For most of our requirements, we are using furnace oil in melting the glass in India as of now, which is how we are trying to keep the cost under control. And as and when there is an opportunity to lock in for a short period or medium term, then we will do that as we go along.

In Germany, we have a system of buying futures or we hedge the gas purchases and the power purchases based on the current scenario and future prices available. We keep reviewing that every week or every month depending on how volatile the market is. Currently we have hedged certain volume for 2023 and certain volume for 2024, and after reviewing, we keep increasing the hedge as the situation permits. But there are no fixed contracts in Germany or India as of now.

Sumit Gugnani: So, the furnace oil for the domestic, that is working out more cost effective than the spot gas prices or any long-term or mid-term contract that you would sign currently. Is that right?

Ashok Jain: Yes, absolutely. You're right.

Sumit Gugnani: So, why not make that a long-term thing?

Ashok Jain: Generally, natural gas is the preferred fuel for these kind of furnaces. But when it comes to economic viability, then we have to also look at how we match the cost of production and how we remain competitive in the market. And that's why we have taken a decision to use part of the fuel as furnace oil. Partly we still use natural gas, but that's a lesser quantity right now.

Sumit Gugnani: Last question is on the pricing trends for our product. Quarter-on-quarter and year-on-year in this quarter, what is the trend that you are seeing in terms of the selling price of our glass?

Ashok Jain: Prices have been generally stable except for the impact of anti-dumping duty withdrawal which has happened in August 2022. Because of that, the landed cost has come down for imports, and we had to adjust our prices suitably to match the imported landed price or give price in competition to that. Otherwise, generally, the import prices and domestic prices are remaining around the same. I mean they are being stable. There is a gap in domestic pricing. The domestic pricing is higher by 8% to 10% compared to imported landed cost.

Sumit Gugnani: No, my question was, for the October through December period, the pricing versus the previous quarter, how much lower was it? If you mentioned it in your introductory remarks, I might have missed that because the line wasn't clear at that time.

Ashok Jain: That was about 5%.

Sumit Gugnani: 5% declined last quarter over the previous quarter, correct?

Ashok Jain: Yes. The prices remained same, but we had to decline it because of the anti-dumping withdrawal.

Sumit Gugnani: And this quarter, how is it looking till Feb? You said it's stable. So, it's stable versus what you had in October-November-December. Is that right?

Ashok Jain: Yes, we can view it that way. That's right.

Moderator: The next question is from the line of Yash Shah, an individual investor. Please go ahead.

Yash Shah: I would like to know regarding the long-term contracts with any of the customers regarding the price, sir. Do we have any contract as of now which are for long term at fixed prices?

Ashok Jain: No, the solar glass is being sold on a monthly basis on the basis of monthly purchase order. There are no long-term contracts.

Yash Shah: And where do we see the EBITDA going on a long-term basis? Can we maintain at the current levels? Because, earlier I guess 6 to 9 months before, we had said that we were operating at a pretty high EBITDA level which was bound to come down. So, are the current levels stable enough? We can expect it to be at this level in the future quarters as well or there is scope for further reduction?

Ashok Jain: When the EBITDA levels were high, that time also we had mentioned that these are higher than the normal EBITDA levels because of the situation of high freight and high international prices. And when it came down to almost 30%, that was the level we presume would have been the normal level, but after withdrawal of anti-dumping duty, this 30% expectation has come down slightly. We should look at EBITDA levels between 25% to 30% or thereabouts.

Moderator: The next question is from the line of Anuj Upadhyay from HDFC Securities. Please go ahead.

Anuj Upadhyay: Sir, how long the discounted imported price is sustainable? I need to understand the things like in your initial remark you mentioned that with the resumption of the domestic module manufacturing thing, we may see a demand ramp-up happening. Currently, the reliance is more on the imported glass as result of which the competition has been quite stiff and we are taking price cuts. But with the resumption of the domestic module manufacturing, say, 2 to 3 years down the line, would there be any chance of going back to our earlier pricing regime, considering the fact that the gas prices have now come down, even the freight rates have cooled down a bit? I just needed to understand the thought process on that.

And secondly, how has the competition been? When I said the competition, it's the domestic competition, because we have seen many domestic players also coming up with the solar glass manufacturing capacities. We heard of Vishakha coming with the capacity addition, Goldi as well. Now with this discontinuation of the duty, are we seeing similar kind of competition coming into the industry or there has been a halt as of now?

Ashok Jain: As you would understand, the market is the determining factor of the prices, and demand-supply will drive the prices up or down or maintain the prices at whatever levels, as it happens with any commodity; this is a commodity business. We have to believe that market forces will decide what prices will prevail.

The imported competition or imported prices are one way to benchmark it against which the Indian manufacturers are seeking the prices from us. But when it comes to movement in the prices, you have seen that the prices have moved up very high in 2021-22 and they have corrected later on. This will keep on happening based on demand-supply worldwide. Whether China impacts it or India impacts it, this will all be the case. But in terms of the local manufacturing, there are a couple of players who are coming up. These are basically plants being set up as greenfield plants and the cost of those plants is much higher than ours. That's what our view is or belief is. And their cost of production is also going to be higher than ours. So, we do not foresee the prices to go down in the time when the local production comes in. And in any case, we are competing with the world's largest producers right now from China. These 2 players who are listed on the exchange are controlling almost 60% of the world market and almost more than 60% of the imports into the country are coming from these 2 sources based in Malaysia and Vietnam. These are both Chinese factories. Competition will stay throughout your life for every product, and we have to stay positive, and we have to stay competitive by controlling our cost, by being innovative, by providing customers the value for money. That's how we would like to look at the solar glass as well.

Anuj Upadhyay: Just a follow-up on your last remark. Apart from the usage of furnace oil, is there any other cost reducing measures which we are adopting so as to be competitive?

Ashok Jain: Actually, the day starts with innovation thought process only. The complete mindset of the people in the company is to stay competitive. We have to face the Chinese competition without any help from any corner in the country, be it the government or any other side of it, and all the Chinese exports are coming to India with a lot of subsidies and a lot of incentives being doled out to those manufacturers in those countries. And we have to pay full prices, full cost, or we don't have any duty support or any subsidies for that matter. So, the thought process in the Company is to be innovative in terms of each aspect of whatever activity they are handling, and that's how we are trying to keep our costs under control. Whether it is raw material pricing or furnace oil or gas consumption in the furnace or use of innovative packing ideas, all those mechanisms are helping us to control our prices. Of course, the productivity of the equipment is very high in our case, which is allowing the higher production, higher throughput which keeps the cost of production quite low.

Anuj Upadhyay: And how has been the demand for the bifacial module, both at the domestic and the export level?

Ashok Jain: Bifacial module in China, it is more than 40% already and in India now with the new module plants which are coming up having this capability of producing bifacial modules, this demand is set to rise. Already some players have started to make bifacial modules in the country, the large ones. And gradually, this demand will go up. In terms of the overall thinner glass sales, we sell almost 30% of our production as thinner glass which is in 2 mm, 2.5 mm, and 2.8 mm. And we also export 2 mm glass. So, we see that the demand for thinner glass is going to ramp up very quickly to very high levels, which is used in bifacial modules.

Anuj Upadhyay: So, it was almost 30% of our total sales. Is my understanding correct?

Ashok Jain: That is including 2.5 mm and 2.8 mm which are not going in bifacial modules as such, but we believe 2 mm demand which is in bifacial will also rise to double digits very soon in terms of the composition of overall demand.

Anuj Upadhyay: So, it would be somewhere in the range of 5% to 10%. Right, sir?

Ashok Jain: Well, it could be more than 10%. It all depends on how the module manufacturing plants or new plants….

Anuj Upadhyay: No, I am referring to the current sales, sir.

Ashok Jain: Current sales only. I am talking about our customers because it is the capability of our customers to produce bifacial modules and they are all setting up new equipment and new module lines which are capable. How fast they can convert their capacities to bifacial will also be a driving factor in how the demand for thinner glass would be.

Moderator: We have the next question from the line of Kiran Paranjape, an individual investor.

Kiran Paranjape: My question is mainly related to our European subsidiary. Can you just remind me once again what is our capacity in terms of tonnes per day in India and in Europe?

Ashok Jain: In India, we were operating 450 tonnes per day and now we have 1,000 tonnes per day after our expansion. And in Europe, it is 300 tonnes per day currently.

Kiran Paranjape: But if I look at your consolidated number and your stand-alone number, I am seeing some discrepancy in terms of sales. Does it mean the volume in Europe was down this quarter or the sales prices were down? Because, I was expecting much better numbers on top line at least. I understand the cost pressures. But the top line looks muted for this quarter for 3 months. Is that a small quarter, part of the quarter, or volumes lower? Can you throw light on that?

Ashok Jain: Yes, you are right. The acquisition took place only at the end of October. So, the consolidation includes results only post acquisition, and this is not a full quarter. Only 2 months sales are reflected from the German plant. That's why you see the numbers not reflecting a complete picture. Going forward, it will be reflected in the next quarter's results, the full quarterly sales of German plant. The new plant which has just got commissioned and which is under commercial production in India, 550 tonnes, the sales also will start coming in from this quarter sometime, and you will see that the numbers going up from the March quarter itself.

Kiran Paranjape: My second question was regarding once again on the European subsidiary. If I look at, again, the difference between consolidated and stand-alone, on the cost front, I see the cost which is your power & fuel cost or employee cost or other costs, they are almost the same as of stand-alone numbers. Those now being European, we expect them to be on high side, but I never expected that to be so high; typically in power & fuel, I understand the gas situation. Can we expect the coming quarter, because the fuel and gas are going down and you must be doing some rationalization on manpower cost, etc., so can we expect this EBITDA which we delivered for this quarter to be a bottom and then next all quarters we will continue to see up move on EBITDA levels on a quarterly basis sequentially?

Ashok Jain: Yes, while that will be the attempt to do and also there will be full quarter results in the next quarter; that is another thing. And you are right, on the cost front also, there has been a lot of softening in the natural gas prices and also electricity prices. All these are one end. Another end is that we are going to put the furnace under cold repair from the middle of March. So, for the second half of March, there may not be any furnace production. Of course, WIP will be there in terms of raw glass, we would like to temper it and sell it. So, March quarter, it will not be a complete picture probably. But going forward, you will see that the situation keeps improving as the quarters go by. Because the gas prices have softened a lot, the cost will be much lower.

Kiran Paranjape: And my last question is again related to the European subsidiary. It was about manpower cost. If I look at the numbers, if I deduct consolidated and stand-alone, the number for European employee cost comes to about Rs. 18 crores. If that is just for 2 months, does it mean that it is about Rs. 27 crores for the entire quarter?

Ashok Jain: Yes, employee cost in Europe is high, as you would know, because of the structure they have in terms of the cost. I am just looking at the numbers. Yes, you're right. The numbers indicate about Rs. 18 crores for 2 months.

Kiran Paranjape: So, that would be roughly about Rs. 27 crores for 3 months, when the next quarter comes in, right?

Ashok Jain: Yes.

Kiran Paranjape: I am sure you would be working on that to ensure that how it can go down. As any Indian Company acquires a European Company, the manpower cost is one of the biggest items or costs. And one would want to automate or do something about it, right?

Ashok Jain: You are right, but it is structural in terms of the economic levels of the geography. As you would know, German costs are very high. In terms of the number of people if you see, they engage less number of people, quite less, compared to what we use in India. And on the cost front, you have to pay the minimum salary, minimum wages, and also incentivize the people to deliver. We are, of course, watching the cost on one side, but we cannot be sure whether this can go down. In fact, we have to increase the productivity, and once the production is better, percentagewise it will look much better to look at.

Moderator: The next question is from the line of Ashit Kothi, an individual investor.

Ashit Kothi: Sir, I would just want to understand, other than the government support with regards to dumping by Chinese companies, how exactly would you be able to compete or attack Chinese companies? Because, India as well as Europe, everywhere China is the major player.

Ashok Jain: This is what we have been doing right from the day we started solar glass production actually. The duties have not been significantly favorable for a long period of time. After anti-dumping duty in 2017, the Malaysian plant started and thereafter the Vietnam plant started. There were no duties against those plants. So, a lot of imports shifted to those countries. So, the imports have been affecting the profitability or pricing in the Indian market as well as the overseas markets.

In terms of how we are able to perform as a management, as a Company, you can compare it with the audited and published results or unaudited results of the 2 listed companies on the Hong Kong Stock Exchange, which is Xinyi Solar and Flat Glass. And if you were to look at those numbers, you will see that our numbers at EBITDA levels are in fact better than them, despite our being only 4% to 5% of their production size. We are trying to be innovative, we are trying to control our cost. That's how we are trying to be focusing on controlling our costs. And in this direction, we have taken another step which is going to be very important to have an R&D center within the Company where we are going to constantly work on the technologies and products and processes in order to improve our competitiveness in this field and also develop new products which could be of importance going forward.

Ashit Kothi: That's heartening to know. But my question was not just from the point of view of the past or the current situation. Once this lockdown is opening up or China is opening up big time, what we are seeing in chemical industries, specialty chemicals as well as basic chemicals here in India that everybody is facing the big hit from Chinese dumping. And possibly China would want to do this across the industries across the world. So, this is more in terms of any further pressure coming from Chinese dumping or Chinese export. Then how we would tackle that?

Ashok Jain: It again comes to the same thing that you have to be competitive in the market in terms of your cost of production. And that's how you can survive in the competition. In terms of the Chinese dumping, if the dumping goes up, we still have a mechanism to deal with it by applying to the government for a certain amount of relief and whether under anti-dumping duty, whether under safeguard duty, or whatever things are available as trade remedy measures. In terms of the, say, cost of production and the ability to keep dumping, also there is some limit because this is a continuous process industry and the costs are global generally like soda ash, natural gas, and other things are global costs. If it is possible for Chinese to keep dumping without denting their margins, then I would agree that they will keep dumping and they will like to destroy Indian industry or Indian market for that matter. But that's not so. Their cost of production, I believe, is almost at the same level at which the prices are prevailing today, and we do not foresee them to even drop the price further. While you are right, the opening up might impact the sectors like chemicals and all, but what we have seen is that there is not much difference in the solar industry particularly because worldwide the industry is still a favored industry unlike any other industries which are not significantly in the forefront of the current growth phase. Solar still remains. Nothing much is changing there.

Ashit Kothi: Maybe we will take up this maybe after March quarter which would possibly give us a more clear picture.

Ashok Jain: Sure. We would like to visit that after March.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

P. K. Kheruka: Thank you very much for the questions which you have asked. It shows a healthy inquiry into the business of the Company. We assure you that we are making great efforts to meet you with the ongoing situation, and with the production output coming from the new furnace, which should give us double the capacity, double the output that we have been seeing now, the picture would look brighter in the days to come. Thank you very much and goodbye.

Moderator: On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.