

Borosil Renewables Ltd. Update



15thFeb, 2021

Key Data

Industry:	Solar Glass
CMP:	Rs.295
Market Cap (Cr):	3,832
52 –Week High/Low:	Rs. 27.5/323
Investment Horizon:	3-5 Years
Outlook:	Positive

Shareholding Pattern

Promoters:	61.89%
Public:	38.11%

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Borosil Renewables is part of Borosil group and only domestic manufacture of PV glass in India. The company is involved in the manufacturing of low iron textured solar glass for application in the solar power sector.

We initiated coverage of Borosil Renewables on 27th November 2020 at a price of Rs. 126. It was an opportunity arising in the solar sector from a shortage of PV Glass in global markets and changing dynamics of the solar energy sector worldwide. For more pls visit - <https://niveshaay.wordpress.com/2020/12/14/niveshaay-borosil-renewables-ltd-research-report/>

Borosil renewables offers a unique ability of volumes compounding at high rates for many years in the foreseeable future as the energy sector is going through a never before experienced transformation from fossil fuel oriented to renewables and solar showing the maximum potential. The company has nearly tripled its capacity in the past 1.5 years and would be doubling it in the coming 1.5 years and still will have opportunities to keep on doubling the capacity for 2-3 more iterations till it is able to serve a significant portion of indigenous made glass to the expanding solar module capacity in India.

We are continuously witnessing decarbonization announcements and plans of countries. With a significant downfall in the cost of clean energy, the world is witnessing a sharp increase in the capex in the renewable energy sector. Deals in the renewable sector will likely remain at a higher level in upcoming years and the big money is continuously chasing the sector. All these factors are making a big positive scenario for the companies in the renewable sector.

We are maintaining a positive outlook on the company.

Result Update & Concall Highlights

Borosil Renewables has posted the strong growth in Q3 FY21 and achieved a turnover of **Rs. 141 Cr 86% higher from Q3 FY20**. The company has generated Consolidated **PAT before exceptional items of Rs. 29.17 Cr** compared to loss of 0.87 Cr in Q3 FY20 and profit of Rs. 14.05 Cr in Q2 FY21.

Borosil Renewables (Rs. In Cr)	Q3 FY 21	Q2 FY 21	Q3 FY 20	QoQ	YoY
Total Revenue	141.32	114.8	76.11	23%	86%
Cost of Material	33.95	34.37	27.35	-1%	24%
RM to Sales	24%	30%	36%		
Total Operating Expenses	87.68	82.42	65.94	6%	33%
Operating Profit	53.64	32.38	10.17	66%	427%
Operating Margin	38%	28%	13%		
Profit Before Tax	41.26	19.83	-1.04	108%	NA
PBT Margin	29%	17%	-1%		
PAT Before Exceptional Items	29.17	14.05	-0.87	108%	NA
PAT Margin	21%	12%	-1%		
Exceptional Item	18.6				
PAT	10.57	14.05	-0.87		

Solar Glass Prices – Solar Glass realizations were up by 17% in the current quarter. Solar glass prices have shown an increasing trend from the month of October and were on the upside at the end of December month. Prices are on the upside in the ongoing quarter, but management believes it will start to soften in Q1 FY 22. We are expecting a 50-60% jump in realisation in the next quarter.

Total Solar Capacity Worldwide & Upcoming Capacity – The current total solar glass capacity in the world is 20,000 tons per day and about 90% of the total capacity is owned by Chinese players. So, Chinese players rule the price scenario in the solar glass industry. According to management upcoming capex is 8,000 tons in 2021 and 2022 each.

The current demand for solar glass is higher than the available capacity. This is the major reason behind the increased prices of solar glass.

Imposition of Duty - Final recommendations made by DGTR to levy a Countervailing Duty (9.71%) on the Solar tempered Glass imports from Malaysia. It will help the company in improving realizations per ton in the normal scenario too, which will help the company in earning higher margin.

Earlier, imports from Malaysia were not subject to additional duty. Chinese companies were doing export through Malaysian subsidiaries. About 60% of the imports into India came from Malaysia.

Level playing field between DTA and SEZ units – Earlier, many big size solar module players were importing Chinese glass into an SEZ and escapes this antidumping duty and then modules are cleared into the domestic tariff area, with no duty. SEZ units now need to pay antidumping duty/ CVD on inputs used for goods sold in DTA area. It will increase demand for domestically manufactured solar glass. SEZ players contribute around 35-40% of total solar module manufacturing in India.

Status of Capex – The Company has announced doubling the manufacturing capacity, to add a third furnace with 500 TPD in the last quarter. The order placement of the critical equipment has already commenced and the project is expected to get commissioned during Q1 FY23.

High probability for Borosil to emerge as a first big player with 3000 ton/day capacity in India – The company has already announced a capex plan to reach 1,000 ton/day capacity by Q1 2023. In the concall, management has shared they have enough land bank for brownfield expansion up to 3,000 ton/day.

And they are continuously tracking industry scenario and management also shared they can announce the next capex of 1,000 ton/day plant even before completion of new capex if they find a comfortable scenario.

Customer Concentration – The top 10 players contribute 50% of the total revenue of the company.

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