



Quick Insight

6th October 2021

Borosil Renewables Ltd.



Industry	Glass Products
CMP	₹332
M Cap	₹43.24bn
Buy Range	₹320-330
Target	₹380-400
Recommendation	BUY

Highlights

- Borosil Renewables Ltd is the first and only solar glass manufacturer in India.
- The company recently expanded and more than doubled its existing production capacity of high performance solar glass to 450 metric ton per day (TPD) (~2.4 GW per annum).
- The company plans to increase its capacity to 1450 TPD by CY22 and further upto 1950 TPD by CY24 (equivalent to 10GW).
- The company has a strong focus on innovation and is known for its pioneering achievements like development of World's First **fully tempered 2 mm thick solar glass**, solar glass with lowest iron content giving highest glass efficiency, first company in the world to successfully remove the most hazardous substance – “Antimony” - from its solar glass.
- In India, 60-70% of solar Glass is imported primarily from China, Malaysia and Vietnam with the rest catered by BRL.
- Long standing relation with Domestic MSME with 50% of BRL's clients are MSME and the rest are large customers like **Renew Power, Vikram Solar, Waree Energies and Adani Solar**.
- The exports business has grown at a CAGR of 33% in the last 3 financial years
- Govt. thrust on renewable energy; solar gaining share within renewables with plans to achieve 100GW of solar power production (including 40 GW from rooftop solar) by 2022 (57% share) and 300 GW by 2030 (67% share) to benefit the company
- First mover advantage in the industry as it is now the lowest cost producer in the world with the current Antidumping duty (ADD) in place
- Replacement of solar glass in 24 hrs in case of any issues compared to imports
- It is a low working capital requirement industry as compared to the downstream products like Solar Modules manufacturing as inventory management is less as solar glass is make to order

Company Background

Borosil Renewables Limited (BRL) is the first and only solar glass manufacturer in India. The company spotted the opportunity in this segment quite early and commissioned the solar glass manufacturing facility at Bharuch in Indian State of Gujarat in Jan'10. Over the last 5 years, the solar PV installations and module production across the world have grown exponentially. In order to cater to the growing demand, Borosil Renewables recently expanded and more than doubled its existing production capacity of high performance solar glass to 450 metric ton per day (TPD) (~2.4 GW per annum). The company has a strong focus on innovation and is known for its pioneering achievements like development of **World's First fully tempered 2 mm thick solar glass**, solar glass with lowest iron content giving highest glass efficiency, first company in the world to successfully remove the most hazardous substance – “**Antimony**” - from its solar glass etc. Recently the company launched new products like **Selene**: an Anti-glare solar glass suitable for PV installations near airports, **Shakti**: a very high efficiency solar glass in matt-matt finish. Amongst the upcoming products with enhanced features is the solar glass with Anti-soiling coating. The company has a strong focus on expanding its domestic & exports footprints. **The exports business has grown at a CAGR of 33% in the last 3 financial years.** European market is major customer base for the company where it has now successfully started supplies of its newly developed products, i.e., 2.0 mm and 2.5 mm fully tempered glass. **The company plans to increase its capacity to 1450 TPD by CY22 and further upto 1950 TPD by CY24 (equivalent to 10GW).** With additional production now available, it has plans to substantially increase exports by tapping more customers in Europe as also increasing presence in the Americas. It is a part of well-known Borosil group, owned by Kheruka family, pioneers in speciality glass products. BRL was formerly named as Borosil Glass Works Ltd (BGL). BRL came into being after the NCLT order on 15 January 2020 of a composite scheme of amalgamation and arrangement of Gujarat Borosil, Vylene Glass Works and Fennel Investment & Finance into Borosil Glass Works and also demerger of consumer and scientific businesses of Borosil Glass Works into Borosil Ltd. Under the merger, two shares of Gujarat Borosil fetched one share each in BGL and Borosil Ltd. Borosil Ltd currently manufactures and sells Consumer & laboratory glassware.

Investment Argument

India's only domestic manufacturer of PV glass- Globally China is absolutely the leader in solar glass manufacturing

The top five Chinese solar glass producers took up a total market share of 68.5% in terms of capacity by the end of 2019. Solar Glass is a manufacturing business where technology matters the most, but the innovation is at a slow pace. Hence, it's less disruptive in nature in the entire value chain. Over time companies improve yield rate and cost structure. A solar glass manufacturer needs a stable customers list before thinking of entering the business or doing new capex. Know-how in lower iron content and yield rate and cost advantages from the economies of scale stopped regular glassmakers to enter this industry to some extent, too. No big changes are expected in the solar glass competition landscape in the long term unless great innovations in solar panels appear. It is relatively concentrated, **Xinyi Solar** and **Flat Glass**, the two biggest players contribute close to half of the market, enjoying higher profitability compared to peers due to economies of scale. In India, 60-70% of solar Glass is imported primarily from China & Malaysia with the rest catered by BRL.

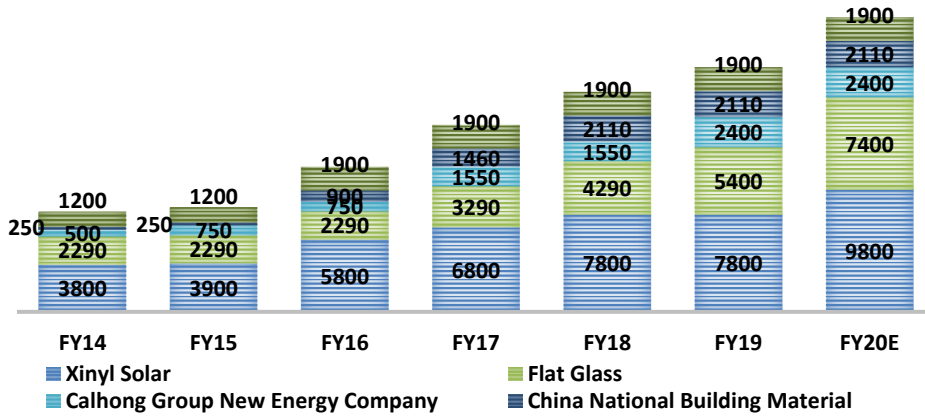
Nifty	17,840
Sensex	59,800
Key Stock Data	
CMP	₹332
Market Cap (₹)	₹43.24bn
52W High/Low	₹349.4/71.7
Shares o/s (mn)	130.16
Daily Vol. (3M NSE Avg.)	777,567
Shareholding pattern (%) Jun'21	
Promoter	61.8
FII's	5.3
Public	32.9

Source: Company Data, Way2Wealth Research

(₹ mn)

Particulars	FY19	FY20	FY21	Q1FY22
Operating Revenue	2,167.6	2,711.6	5,022.7	1,361.3
Growth YoY (%)	8.5	25.1	85.2	151.8
EBITDA	338.4	364.4	1,973.6	618.1
EBITDA Margin (%)	15.6	13.4	39.3	45.4
Net Profit	462.7	4.5	896.4	396.3
EPS (₹)	5.0	0.04	6.9	9.5
DPS (₹)	0.7	-	-	-
P/E (x)	66.3	8,363.1	48.2	-
P/BV (x)	3.5	11.6	7.0	-
EV/ EBITDA (x)	128.6	120.5	22.1	-

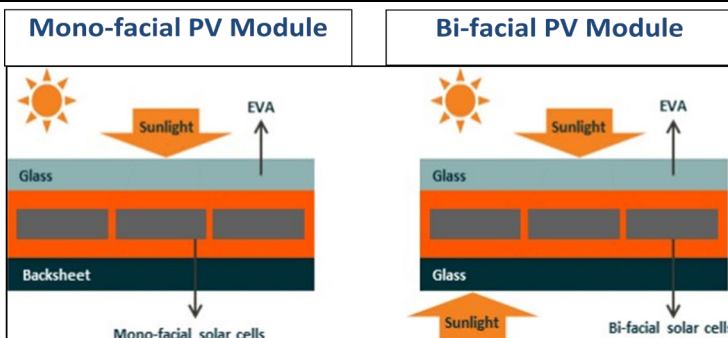
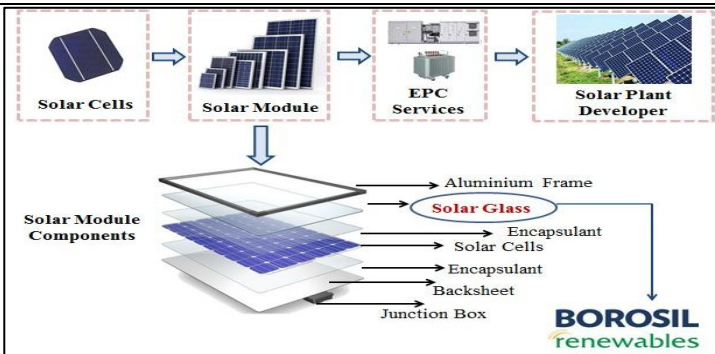
Source: Company, Way2Wealth Research



Source – PV Magazine

Long standing relation with Domestic MSME

Since the solar glass industry is a capital intensive industry. BRL with decade long experience has the **technical know-how, scale moat and customer relationship plays an important role which acts as a huge entry barrier. It is not easy for new entrants to break in, as glass production is a continuous process that cannot stop for years, it requires stable sales channel before building up any new capacities.** Shutdown cost is very high. The profitability increases as the scale increases. This is probably the reason why we haven't seen any solar glass manufactures in the country. 50% of BRL's clients are MSME and the rest are large customers like Renew Power, Vikram Solar, Waree Energies and Adani Solar. Solar Glass is a substrate on which the entire module is laid. The key difference of solar glass compared to standard clear glass is that the former is manufactured with lower iron content and produces a much clearer glass structure with no green tint visible through the glass. It has a higher light transmittance of over 90% v/s 83% for regular glass, which as a result increases the module conversion rate. Glass demand has been rising in industry because increasing prominence of bifacial panels, which coat both the top and bottom with the glass, helps in higher power generation. The Current PV Glass spot price is at RMB 23/29 per sq.mn for 2/3mm compared to RMB 43/45 per sq.mn in Dec'20 due to closure of factories in China in 2020. The industry estimates there is likely to be a 20-30% of shortage in output by end of 2021.



Source– Company, PV Magazine

Govt. thrust on renewable energy; solar gaining share within renewables

The government of India has set a massive target of achieving 175 GW in renewable energy capacity by 2022 further increasing to 450GW by 2030. Out of which plans are to achieve 100GW of solar power production (including 40 GW from rooftop solar) by 2022 (57% share) and 300 GW by 2030 (67% share). India added 2.5GW in Q2CY21 +19% QoQ compared to 2.09GW in Q1CY21. As on 31 August 2021 the installed capacity was 44.3 GW. Govt. also designed programs like SECI scheme, KUSUM (26 GW by 2022 with an incentive for farmers to install Solar Pumps/Grid Connected Projects etc.) and CPSU (12 GW of Solar Projects proposed for Captive Power Consumption) to support domestic panel manufacturers. To meet the developer demand **module manufacturing capacity is set to rise to 24 GW in the next 2 years which will lead to higher requirement of solar glass.**

PLI (Performance Linked Incentives) scheme under which additional production of High-efficiency solar modules, cells and further backward integration

The scheme promotes use of domestically produced components as the incentives are designed to be at a higher rate in case of use of domestic components. This incentivizes solar module manufacturers to source solar glass and other components from domestic producers.

First mover advantage in the industry as it is now the lowest cost producer in the world with the current Antidumping duty (ADD) in place

Previously the Antidumping duty (ADD) against China in place till Aug'22 was not applicable on the imports from Malaysia (mainly from an associate of a Chinese Glass Manufacturer) which acquired ~60% market share by dumping at artificially low prices. Upon filing an application by BRL to DGTR, Govt. levied duty at 9.71% on textured tempered coated or uncoated glass imports from Malaysia also which provides level playing field for players like BRL.

Replacement of solar glass in 24 hrs in case of any issues compared to imports

BRL is a B2B player. Their customers are module manufacturer who uses it as a component which is going directly into production. The company cuts the glass according to the customer's requirement, temper it, pack it and send it to the customers. The company doesn't have long term orders. **It is a low working capital requirement industry as compared to the downstream products like Solar Modules manufacturing as inventory management is less as solar glass is make to order.** They get orders on a regular basis and fulfil them within 1- 2 months. In case of imports the manufacturers have to pay 30% advance payment at the time of import. The time of delivery is uncertain to some extent whereas in India, the date is fixed with provision of flexibility of payments. If there is any problem in the glass, then it can be fixed within 24 hrs which is not in the case of imports, so customer stickiness is visible in this industry. Putting a solar project is a long term decision; hence quality assurance is very important. Once the product is approved, customers don't switch a lot.

Easily available raw material

Soda Ash and Power (Gas, Heavy Oil and Electricity) are the main raw materials used in manufacturing solar glass. Soda Ash is abundantly available in India. It's an international commodity. Sometimes, it is imported in order to get a better pricing. On this front, there is no entry barrier.

Key Risks

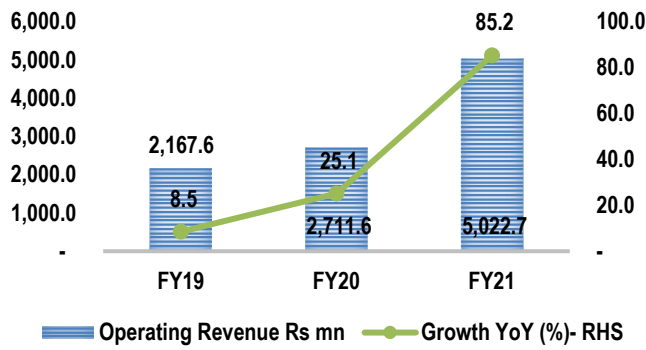
- The growth of solar energy sector in India is dependent on government to some extent. Any delay or change in policy can lead to decrease in capacity utilisation. Steady volumes are important in this industry to maintain margins. Government policies to provide solar power at the cheapest price and the methods like reverse bidding for power projects and capping of tariffs has led to possibilities of compromise on quality and long-term aspects of power generation. The lower prices and insufficient margins have so far been keeping the manufacturers of components away from taking up expansion plans as rise in prices of polysilicon will in turn raise the price for putting a solar project.
- China as the World's largest PV glass producer accounts for over 95% of the total solar glass capacity. Large capacity additions have been initiated in 2020 by Chinese manufacturers which are going to spill over into 2021 and 2022. Any drastic change in policy or a supply/demand mismatch can result in surplus capacity for modules/glass, which could enhance dumping at heavily discounted prices. This can put severe pressure on the selling prices of glass and adversely affect the profitability.
- Anti-dumping duty against import of solar glass from China is valid till Aug'22. In case the same are not extended, it can lead to renewed dumping, looking particularly at large capacity additions in solar glass production taking place in China. The Chinese producers have set up manufacturing plants in Malaysia and Vietnam mainly to cater to their export markets including India. A significant portion of solar glass imports into the country today are happening from Vietnam also. There is no duty against imports from Vietnam and unless suitable immediate duty measures are put in place, there may be dumping leading to price disturbances.

View

BRL has shown strong performance and is likely to witness good traction in the medium to long term with government impetus on solar energy to achieve 100GW of solar power production (including 40 GW from rooftop solar) by 2022 (57% share) and 300 GW by 2030 (67% share). Govt. designed programs like SECI scheme, KUSUM (26 GW by 2022 with an incentive for farmers to install Solar Pumps/Grid Connected Projects etc.) and CPSU (12 GW of Solar Projects proposed for Captive Power Consumption) to support domestic panel manufacturers will also provide the additional impetus for better performance in coming years. **The overhang for the company is the non-Anti-dumping duty (ADD) against import of solar glass from Vietnam and the further extension of the current ADD to further years. Considering the mentioned factors, we view it as a value BUY with target range of ₹380-400.**

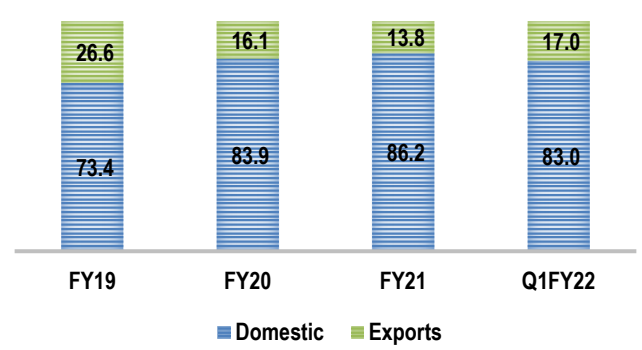
PAST PERFORMANCE

Revenue CAGR 52.2% over FY19-21



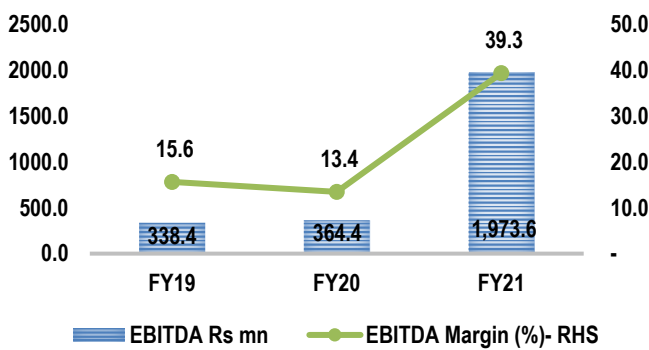
Source: Company, Way2Wealth Research

Revenue CAGR 52.2% over FY19-21



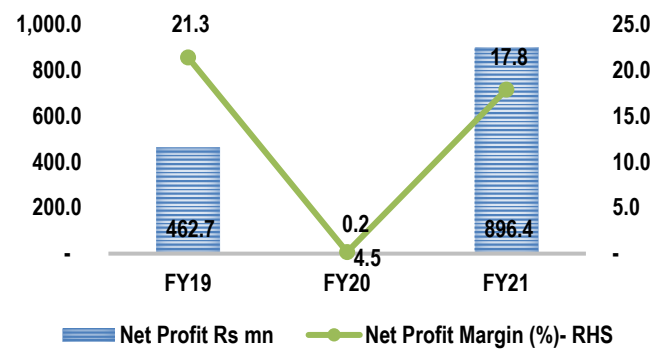
Source: Company, Way2Wealth Research

EBITDA CAGR 141.5% over FY19-21



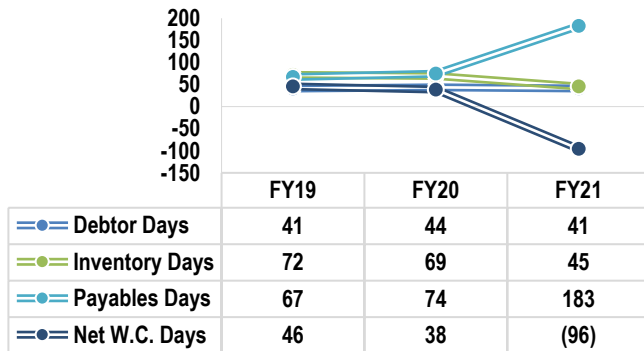
Source: Company, Way2Wealth Research

Net Profit CAGR 39.2% over FY19-21

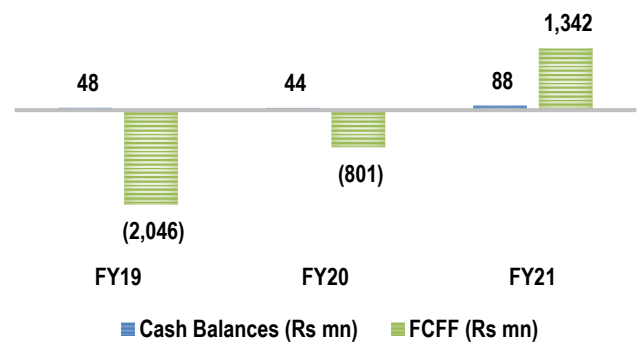


Source: Company, Way2Wealth Research

Strong W.C mgmt leading to improvement in Cash Balances, Liquidity & Debt ratios

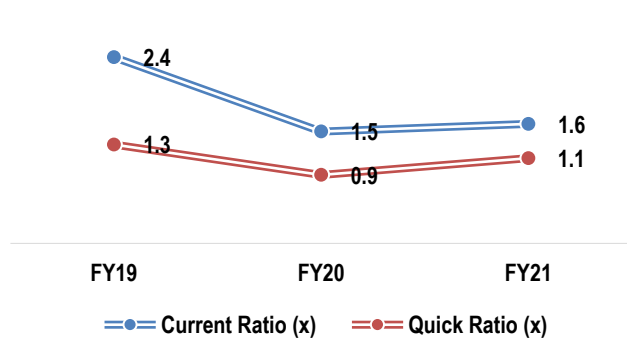


Source: Company, Way2Wealth Research

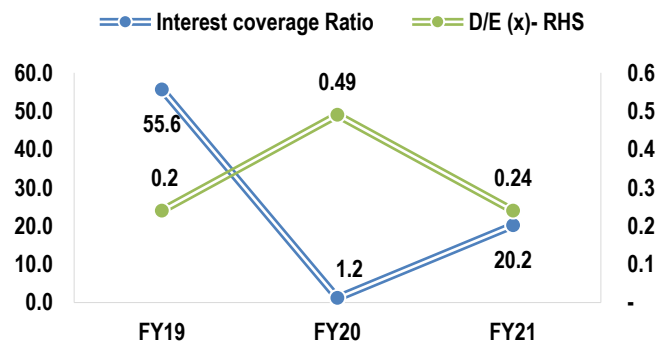


Source: Company, Way2Wealth Research

Strong W.C mgmt leading to improvement in Cash Balances, Liquidity & Debt ratios



Source: Company, Way2Wealth Research



Source: Company, Way2Wealth Research

Financials

Q1FY22 Performance

Particulars	(₹mn)				
	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Operating Revenue	1,361.3	540.7	151.8	1,939.8	-29.8
Raw Material Cost	271.6	155	75.2	282.8	-4
Stock Purchases	1.2	-	NM	-	NM
Inventory Cost	-154.6	-60.4	155.8	15.7	-1,085.70
Fuel Exps	233.3	135.7	71.9	235.9	-1.1
Employee Cost	99.3	71.8	38.3	107.5	-7.7
Other Exps	292.5	143.1	104.3	261.2	12
EBITDA	618.1	95.5	546.9	1,036.8	-40.4
EBITDA Margin (%)	45.4	17.7	2,773	53.4	-804
Other Income	63.8	5.2	1,118.5	29.2	118.3
Finance Cost	15.8	21	-24.8	21.2	-25.4
Depreciation Exps	107.5	104.2	3.1	104.6	2.8
PBT	558.6	-24.4	2,384.9	940.2	-40.6
Tax	162.3	-5.8	2,902.9	271.5	-40.2
Net Profit	396.3	-18.7	2,224.1	668.7	-40.7
<i>Net Profit Margin (%)</i>	<i>29.1</i>	<i>-3.5</i>	<i>3,256</i>	<i>34.5</i>	<i>-16</i>
EPS (₹)	3.0	-0.2	1,961.4	5.1	-40.8

Source: Company Data, Way2Wealth Research

Future Forecasting

Particulars	FY19	FY20	FY21	FY22E	FY23E
Operating Revenue	2,167.6	2,711.6	5,022.7	9,081.2	12,175.3
<i>Growth YoY (%)</i>	<i>8.5</i>	<i>25.1</i>	<i>85.2</i>	<i>80.8</i>	<i>34.1</i>
EBITDA	338.4	364.4	1,973.6	1,489.3	2,532.5
EBITDA Margin (%)	15.6	13.4	39.3	16.4	20.8
Net Profit	462.7	4.5	896.4	1,235.4	1,972.4
<i>Net Profit Margin (%)</i>	<i>21.3</i>	<i>0.2</i>	<i>17.8</i>	<i>13.6</i>	<i>16.2</i>
EPS (₹)	5	0.04	6.9	9.5	15.2
DPS (₹)	0.7	-	-	0.5	1
P/E (x)	.66.3	8,363.1	48.2	35.0	21.9
P/BV (x)	3.5	11.6	7.0	5.0	3.7
EV/ EBITDA (x)	128.6	120.5	22.1	29.9	18.3

Source: Company Data, Way2Wealth Research

Technical View

Looking at weekly chart, Stock has seen a sharp surge from the bottom of around 67.50 during September 25, 2020 and hit a fresh all-time high of around 323 during January 01, 2021. Subsequently, stock slipped into consolidation and retraced till 213.25. Once again, the bullish momentum resumed and stock climbed till 350.20 during August 13, 2021. Of late, stock has seen decent pullback however the selling pressure exhausted near 276 which coincided with the weekly 20-SMA. Broadly speaking, we are seeing a formation of "Rising Wedge". Looking at the overall chart structure, if stock manages to hold 270 on the downside in that case we might see another round of an up move where stock likely to rally till 360 which coincided with the upper band of "Rising Wedge" pattern. Any break below 270 will fizzle out the bullish momentum.



6th October 2021**Disclaimer**

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Name of the Security	Borosil Renewables Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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