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**Axis Capital on #BorosilRenewables**

## Engineering

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### **Borosil Renewables**

#### **(Not Rated)**

Borosil RE is the only domestic manufacturer of solar glass. Growth outlook for solar glass (~6% of solar PV project) is in sync with India's solar capacity addition roadmap. Borosil's present capacity of ~450 tpd caters to 2.5 GW per annum (India installed ~5.5 GW solar capacity in FY21); a third furnace of 550 tpd is under construction (~Rs 6 bn capex) and scheduled for commissioning by July-22, which would take annual manufacturing capacity to 5GW. There is further expansion plans of two more furnaces each of 500 tpd to scale up capacity to 10 GW by Q2/ Q3 of CY24, which will keep Borosil RE as a key player in solar glass if the India market ramps up to 15-20 GW per annum beyond 2025.

Competitive intensity is likely to increase as few players (Asahi in collaboration with Adani Group; Gold Plus Glass, backed by Premji Invest; Reliance Industries) have announced manufacturing plants for solar glass in India (a large part of it could be for captive consumption of solar developers); however, there are entry barriers (and a time-to-market from decision to invest of up to 3 years) given technology expertise required, higher capital intensity for greenfield entry (vs. brownfield expansion for Borosil, an established player in glass manufacturing for over 5 decades) and certifications required.

Borosil RE's revenue mix includes ~20% share of exports with a target to increase it to 25%. India's requirement is likely to be 15GW in the medium term and Borosil could address up to 7.5GW (given 25% of 10GW for exports, implying domestic market share at ~50%). There is plenty of room for other manufactures to address the balance 7.5GW. Borosil RE claims to be the lowest cost/unit producer of solar glass globally. While Chinese and Malaysian players benefit from government subsidies and lower input costs, the recent increase in freight costs coupled with Government of India's countervailing duty (9.71% on imports from Malaysia from Mar-21)/ anti-dumping duties (on imports from China starting Aug 2017) have kept it competitive vs. imports in domestic market.

The company has guided for long term sustainable margin of 30% (assuming realization at Rs 100/sq.m. per mm thickness of glass) with upside from higher realizations/ exports. It has received an enabling resolution from the board on funding requirement for additional capex from 5GW to 10GW (~Rs 12 bn), and is awaiting shareholder approval.