



**August 25, 2023**

The Compliance Manager  
**BSE Limited**  
Corporate Relationship Dept.,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai 400001.  
Scrip Code: **500655**

The Manager, Listing Department  
**National Stock Exchange of India Limited**  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051.  
Trading Symbol: **GRWRHITECH**

Dear Sir/Madam,

**Subject: Transcript of the Earnings Conference Call - Quarter ended  
June 30, 2023 held on August 22, 2023.**

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Pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call - Quarter ended June 30, 2023 held, on August 22, 2023, at 2:00 p.m. IST.

The above information is also available on the website of the Company:  
**<https://www.garwarehitechfilms.com>**.

This is for your information and records.

Thanking you,

Yours faithfully,  
For **Garware Hi-Tech Films Limited**  
(Formerly known as Garware Polyester Limited)

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**Awaneesh Srivastava**  
**Company Secretary**  
**FCS 8513**  
Encl: as stated above

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**GARWARE HI-TECH FILMS LIMITED**  
(FORMERLY KNOWN AS GARWARE POLYESTER LIMITED)

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“Garware Hi-Tech Films Limited Q1 FY '24 Earnings  
Conference Call”

**August 22, 2023**



**MANAGEMENT: MR. M.S. ADSUL – DIRECTOR, TECHNICAL  
MR. DEEPAK JOSHI – DIRECTOR, SALES &  
MARKETING  
MR. PRADEEP MEHTA – CHIEF FINANCIAL OFFICER  
MR. SUNIL WADIKAR – PRESIDENT, CORPORATE  
AFFAIRS & FINANCE  
MR. HARI NAIR – SENIOR PRESIDENT, CORPORATE  
AFFAIRS & FINANCE**

**Moderator:** Good day, and welcome to the Garware Hi-Tech Films Limited Q1 FY '24 Earnings Conference Call.

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

I now hand the conference over to Mr. Vikas Verma from E&Y. Thank you, sir, and over to you.

**Vikas Verma:** Good afternoon, everyone. Welcome to the Quarter 1 FY '24 Earnings Call for Garware Hi-Tech Films Limited. On behalf of the company, I would like to express our gratitude to each of you joining the call today.

To discuss the performance of the Company and to answer the questions, we have with us from the Company, Mr. M. S. Adsul – Director (Technical); Mr. Deepak Joshi – Director of Sales and Marketing; Mr. Pradeep Mehta – the Chief Financial Officer; Mr. Sunil Wadikar – President (Corporate Affairs & Finance); Mr. Hari Nair – Senior President (Corporate Affairs & Finance).

Before we begin, I would like to draw your attention to the fact that today's discussion may contain forward-looking statements that are subject to various risks, uncertainties and other factors, which will be beyond management control. We kindly request that you bear in mind there may be uncertainties when interpreting such statements. Please note that this conference is being recorded.

We will now start the session with opening remarks from the management team. Afterwards, we will open the floor for an interactive Q&A session. I would now like to invite Mr. Deepak Joshi – Director of Sales and Marketing, to make his opening remarks. Over to you, Deepak.

**Deepak Joshi:** Thank you very much and good afternoon to all dear investors. We started the financial year with a strong performance despite difficulties in the industry, such as global economic issues and oversupply.

Our total revenue in Q1 FY '24 was Rs. 380 crores, which is a 2.70% increase from Q1 FY '23. Additionally, our EBITDA increased by 2.9% to Rs. 72.7 crores, and our PAT remained stable at Rs. 44 crores.

These achievements are due to our focus on producing specialty films, which accounted for 83% of our total revenues in Q1 FY '24. That is up from 80% in Q1 FY '23. Approximately, 70% of the income is generated from exporting goods, with 35% of the figure coming from North America and 20.3% from Asia excluding India, around 15% from rest of the world which includes Europe, and 30.60% domestic market, that is India.

Our exceptional performance was due to surge in quantity of paint protection film in our home and overseas markets but was dampened by weak demand for solar control films in significant markets, mainly caused by economic, geopolitical and de-stocking factors.

Let me explain briefly about our main product lines. So, on the consumer product line, this turnover of these consumer product lines mainly consists of sun control films and paint protection films. So, the turnover increased by more than 20% in Q1 compared to the same period last year.

We have reintroduced the safety glazing window film in the domestic market due to high latent demand. Our safety glazing films improve fuel efficiency, high UV rejections, protecting passengers from skin cancer, more crucially injuries caused by shattering glasses. So, it's a combination of safety as well as sun control properties.

We are in the process of creating our sales and distribution network in India to meet the domestic demand, and we anticipate that our efforts will be reflected in our bottom line in the coming quarters.

Our key export market, the U.S., fares better than projected due to macroeconomic improvements leading to higher volumes, especially in the premium segment during Q1 FY '24 as compared to Q4 FY '23. This momentum is expected to continue in the coming quarters.

Sales of our solar control films remained stable. Our original production lines for solar control films are running full. Our efforts are to have the new line which started in December '22, that is around six, seven months back. I mean, our aim is to fully utilize it in the next two financial years.

The unutilized capacity of the sun control films is an additional headroom of Rs. 500 to 550 crores, and our marketing efforts will be to capture these revenues. One aspect that we are closely watching is the demand for solar control films in electric vehicles, which typically takes more films than normal vehicles.

Let me talk about paint protection films. PPF sales increased by almost 7x in Q1 FY '24. Our domestic business has grown significantly owing largely to its increased distribution network and asset-allied application studios, which have been supplemented by efficient marketing campaigns. Nearly, 35 to 40 lakh cars are sold annually in India, and nearly 40% is SUV and luxury car segment, which is essentially the target segment for PPF in India.

We also see there is a robust demand in international because PPF is still a commodity which is increasing its penetration world over. The advanced countries like USA and China, they are at the rate of 10% to 12% of penetration, and India is at the rate of less than 0.5% penetration.

So, the headroom in India is huge, but at the same time, the growth continues in these advanced markets where PPF is a sought-after commodity. That is also increasing. So, we see there is a robust demand outlook for this product.

In Q1 FY '24, we had about 50% capacity utilization, which is purely dedicated to PPF, but as of now, as we speak, capacity is going full, and we believe to have enough demand led traction to ensure full capacity in the coming quarters.

In fact, we have some fungible lines, fungible capacities which can be utilized to produce more of PPF, and at the same time, if this trend continues, and which we are seeing right now, we may look for further expansion in this segment.

Now let me take you to our industrial product division. The turnover of industrial product division is going down. In fact, it has dropped by around 15% to 20%. India has a surplus capacity as of now, and the demand is also going low.

This lower demand is primarily because of the seasonality where we are seeing lot of rains and undistributed, I mean, I can say the season has been very turbulent this year with lot of rains and unexpected rains, and at the same time, as I mentioned, there is a huge over capacity into the market. Margins have gone down. We understand that the other peers in the commodity business have also lost volumes and incurred losses, or their margins have dropped.

Similarly, our volumes are down too as we avoid loss making sales in the industrial product division, but our shrink film is doing stable, and other specialty products like low oligomer are also stable. The sales revenue and as well as the bottom line is also stable there, but the concern is the commodity product, which anyways we are avoiding and growing more and more into specialized segments, and focus is on to consumer product division.

Pearl float and solid white shrink, which we produced and took trial in last couple of months are now commercialized. So, this is the update on industrial product division.

Now I would like Mr. Mehta to touch face little bit about the finance.

**Pradeep Mehta:**

Thank you, Deepak. Deepak already has given a key financial number. In addition to that, we have paid around 50 crores debt in this financial year which is resulting in a current outstanding term loan balance at 73 crores as on 31st July.

We are also able to achieve a solid ROCE of around 20%, which indicates an optimum utilization of funds generated in the business. Our robust working capital management practices have improved our working capital cycle to just 17 days during this Q1 FY '24.

So, we have already published our earning numbers and an "Investor Presentation" is uploaded. So, now I think we can proceed to the Q&A session.

- Deepak Joshi:** Yes. We hope that you will have gone through the presentation, which has been uploaded. So, we are not going through the presentation, but if any questions arises from the presentation, we will be happy to take them during the question-and-answer session. Thank you.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead. The current participant seems to have dropped from the queue. We will proceed with the next question, which is from the line of Chirag Singhal from First Water Fund. Please go ahead.
- Chirag Singhal:** Sir, firstly, I wanted to understand or get some validation on the company's growth pace for the next five, six years. So, based on the current expansions and you also spoke about some new products during the last quarter. Do you expect to at least see a growth rate of, let's say, 15% kind of number or you see it as too ambitious?
- Deepak Joshi:** I mean, you are talking of the growth numbers on revenue and bottom line or general market? Sorry, I was not clear on the question.
- Chirag Singhal:** No, not the industry either. I am talking about your company's revenue and bottom line CAGR.
- Deepak Joshi:** I can say, as we said, we have a capacity which was commissioned in December '22 for Sun control films which is now being utilized in stepwise manner. So, we are seeing good growth there. And at the same time, paint protection film utilization is also going towards full.
- So, with these two, we are expecting the growth to happen inline, or I mean, we expect quite good growth in that. The only challenge was from the other side which is industrial product, but put together, these growth would definitely make up for whatever downturn or whatever we are seeing on industrial product. So, in net-net, I am sure we will achieve that numbers which you are saying, 15% or 20%.
- Chirag Singhal:** Now my second question is on the contribution from the backward integration that you have. So, you are present across the value chain right from PTA, MEG to the final value-added product. So, how much would backward integration contribute to your sustainable EBITDA margins?
- Deepak Joshi:** Actually, I mean, difficult to quantify, but there are some key factors which help us to make consistent quality and the new product development and consistent quality. These are definitely which we are always ahead with the competitors. And recently, in the last couple of, I mean, I can say since last two, three years, our focus has always been to launch the new products like we did PPF and we did on floatable shrink and solid white shrink and all those things.
- So, these are all coming because of our capability to make the raw materials for our products. So, when we talk of, as, again, our, if you see the numbers of the peers where they have been, it is going continuously down, but for in our case and we have been able to maintain our new product line and continuous growth because of this.

So, whenever there is a better market for commodity side, then you would have seen a much, much better numbers than our numbers we have shown currently. So, in other words, that helps us a lot, and that will, in fact, give us higher EBITDA margins in going forward whenever we, I mean, continuously innovate our components.

**Chirag Singhal:** And even on a blended basis, I think, the numbers should be higher than 70%, 80%, right? Because currently, if I look at your sales mix, 20% comes from the commodity films. So, once we see normalized margins in the commodity films as well, the blended number should be slightly higher than what we are doing currently. Is that the right understanding?

**Deepak Joshi:** Yes. Actually, the margins, again, depend on the product mix, and understanding is really correct, because if you see, commodity market has been going down. So, we are also selling less and less, but still our revenue and the bottom line are increasing. That is only because of the specialty products we are increasing and commodities we are reducing. So, I mean, in net net, EBITDA margins should increase from there.

**Chirag Singhal:** That was really helpful. So, you also mentioned those new products. So, could you please share the products as well as the market size based on which products are likely to hit the markets first? Sorry, I mean, the products and their market size.

**Deepak Joshi:** I think we have given clearly into the presentation where we have shown like three key products which is our sun control film, and then their market is currently \$6 billion, and then paint protection film.

**Chirag Singhal:** I was talking about the new products actually, the new products that you are currently working on. During the last Concall, you spoke about three to four products that might be at the R&D level and some of the products. So, I am just talking about the products that are likely to hit the markets first from your new product categories. Which products would they be? And what is their market size?

**Deepak Joshi:** There are many products, but because of the competitive edge and everything, we would rather not declare unless it comes to market, like we have declared this pearl float which is towards the sustainability of shrink films. So, that product, once it came into fore and now commercialized that we declared that that has come. We have a list of, we walk on the priority basis.

So, our R&D team led by Mr. Adsul and the new product development team, they have their target products which are at least 10 products, top 10 products, which we are currently working on, and each quarter you will see at least two to three products coming out to the market, and then we are going to announce. We cannot do it right now to, I mean, for our, as I said, because this is for the competition sake, we can't declare them.

**Chirag Singhal:** And sir, just one last question before I go back into the queue. If you can please provide a roadmap for the next phase of expansions in PCS as well as the sun control films and other product categories? Also, are you running at full capacity utilization for the shrink films?

**Deepak Joshi:** Yes. On shrink films also we are running full, but we have some fungible capacities where we used to sell shrink film also, and these fungible capacities are not being utilized. So, there is a dedicated line for shrink which runs full, but there is another fungible capacity which we used to run when the market was peak. So, I can say, the market, when it used to like last year when the summer was really good, that time we were using the fungible capacities as well, but this year we are not because of lower than the expected demand on shrinks films.

**Chirag Singhal:** And if you can please comment on the road map for the next phase of expansions in PPF as well as sun control films?

**Deepak Joshi:** Roadmap on that, as I said, we have some unutilized capacities on the new lamination line which was commissioned six, eight months back. So, there we have some fungible benefits where we can utilize it to increase. We cannot fully utilize, but we can utilize some portion to increase the productivity on PPF which we will first do, or we are in the process of doing.

In the meantime, also making these plans, which we will announce shortly. I mean, we are working on that direction. And on sun control, we have added around 70% recently. So, we are seeing the response which will be finalized in the next three, two months, six months' time. So, we will update accordingly.

**Moderator:** The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

**Rahul Jain:** So, sir, firstly, with regards to the reintroduction of the safety glaze film, so what kind of market do we see? What kind of scale up we are looking forward? And what kind of traction till now we have been seeing in this product after the change of rules and reintroduction of this product?

**Deepak Joshi:** We have launched that product during this month only. That was 10th of the August, and we published that widely on digital and social media, and our team ran the projects, specific projects targeting the detailing centers and showrooms. I mean, we have done more than 300 showrooms in India, in Mumbai itself. So, we are doing such kind of projects right now in the Bangalore and Pune market.

So, we are seeing the response really good. I mean, that this response is really good, and we have started, I mean, we started only on 10th August, and as we speak, we started getting orders also. So, we are getting good traction, and people are really caring for that. So, our only, I mean, plan is to as per the government regulation 50% and 70% visualized transmission we are proposing, and with that, we are getting very good traction, and we started getting orders also, and that's a really good sign of this product.

**Rahul Jain:** Sir, typically, what is the potential part? What is the potential of revenues in with regards to this?

**Deepak Joshi:** Potential revenue, if I say, domestic market is roughly, I can say, around 80 to 90 Cr per annum, say 100 Cr per annum. That is potential. I mean, we don't know as of now when we can reach



there and around, I mean, you can assume based on that what EBITDA level would be around 20 Cr.

**Rahul Jain:** That's helpful. Secondly, sir, on the PPF, am I missing something? In the quarter one, we utilized almost roughly around 47%, 48%, our PPF utilization. And based on the numbers which are there in presentation, what I understand is we have done our sales of around 60 crores in quarter one. So, typically, at peak utilization, it looks like we can probably go beyond 450 crores for PPF. Is that a correct understanding?

**Deepak Joshi:** Just a second. No, the line was a little unclear. So, can you just repeat the question? Rest I understood, like our utilization was close to 50%. And what you would like to know on that?

**Rahul Jain:** So, back working the numbers, our PPF sales should around 60 crores in quarter one at around 50% utilization. So, typically, that means at peak we can reach around 450, 500 crores of revenue. Is that correct?

**Deepak Joshi:** Correct. That is correct. Yes.

**Rahul Jain:** And your presentation also mentioned that currently we are working at maximum utilization. So, does that mean we are roughly working today at around utilization of somewhere beyond 85%, 90% to the tune of 80 to 100 crores somewhere or more?

**Deepak Joshi:** Yes. So, indication is in the same line, but since we are in the quarter, I would avoid talking exact numbers. But yes, broadly, if we can say the guidelines, it is in that direction. Yes.

**Rahul Jain:** That's quite helpful because I think that means for PPF, it looks like now we are going to achieve much higher turnover than what we were visualizing some quarters back. Lastly, sir, on the export side, you have mentioned in your initial commentary and also the presentation about some amount of recovery on the U.S. side and some challenges in Europe and UK. So, typically, and also you mentioned in the presentation that we have increased resources in international markets. So, just to get a sense, what exactly we are doing on the international markets in terms of additional resources, what are we trying to do? And is the recovery in U.S. continuing to improve on a month-to-month basis?

**Deepak Joshi:** Yes, we are seeing actually right now it's a season in USA. That means summer is going on. So, with that, we are seeing the numbers, there is a good increase in numbers from U.S. market, and we expect that because if you really see, if you recall last nine months, that is second half of last financial year and first quarter of this financial year, there was actually lot of there was like high interest rates and high inflation were causing the sales a little bit down because of that affected the overall scenario into the market and plus there was a geopolitical tension which is going on right now in next to Europe.

So, because of that, I would say, the environment was not that good, and we were seeing the numbers also similarly towards a little lower than what we expected as a growth. But right now

we are seeing these kind of fears are going down and the order flow from the rest of the world has increased. At the same time, it has also gone up from USA, and when we talked to the big customers in USA, and we have team who does survey for us.

So, these kind of fears or kind of people were expecting little bit down the previous year since like last nine months. So, these kinds of fears have been now swayed away. I mean, they, people are talking better than what it is. So, which are, I mean, evident from the numbers also. So, we expect similar things to go in the going forward this year.

And what we are doing? So, we are again, we are doing lot of marketing activities. We have recently done some we have done some kind of rallies where Global brand was a primary brand sponsoring them, but at the same time digital media, social media presence is going well. At the same time, we have added a top-level head count from very reputed companies in Singapore for Far Eastern Market, then in UK for European market and on the process for a similar one high talent in Middle East Market.

We already have our presence all over the world, and like North America we have, as you know, we have subsidiary in UK and in USA. So, in both places we have local employees who are native to those countries, and we have in South America. Then we have people in Africa and Russia also, as we speak, we have still continued Russia for Russia and CS countries. Then Europe we have a team. Then the Far East, Middle East, everywhere we have people present. Even China. Sorry. Yes. So, all the places we have our team which are continuously into the market looking for prospects. So, our brand recall is quite a strong Global in these markets, and Garware in the rest of the markets.

**Rahul Jain:** One last question if I can squeeze in. With increasing proportion of PPF from this quarter itself and also considering that the utilizations have gone up to optimum and improvement in Sun control in the coming quarters, can we expect margins to be higher than the current margins and probably that could be around 100 to 200 bps higher than what we are clocking in the current quarter?

**Deepak Joshi:** I don't think, I mean, this question, it is like a very forward-looking statement, like how we are doing. I am saying we are doing better, but exact numbers we can't discuss.

**Moderator:** Thank you. We have the next question from the line of Sanjay Shah from KSA Shares & Securities Private Limited Please go ahead.

**Sanjay Shah:** So, first of all, very nice presentation, very self-explanatory. Sir, my question was regarding shrink films. As you have portrayed a global demand which is coming for that segment, which is growing at a good CAGR, so is the competition. And I think in India also, we have got many manufacturers, many brands who are competing on this side. So, how we see what, how Garware will be doing and competing and maintaining and returning the margins and market share on this segment?

**Deepak Joshi:**

Thanks for your compliments. So, Garware, I mean, if we can go little bit on the history like we have a very strong theme of R&D, and there is a work more than 20 years put into these special products. So manufacturing these films is not easy, and many of our peers have tried in the past, and till date hardly anybody is there into the market to compete.

But, of course, even if the competitor comes, we are selling to more than 90 countries in the world, and that includes North America, South America and Europe being one of the primary markets for us.

So, we have like these products, we are continuously increasing our portfolio by giving exact requirements as per the product line of the customers. Like each, I would say, the bottle or each product is very different in nature, and Garware has capability to meet the shrinkage of them.

So, we make high shrink, low shrink, medium shrink, all kind of shrinks, and we have developed a step ahead when we go to the advanced markets like USA where dairy products are used with the solid white shrinks to avoid the UV rays falling into the dairy products. So, we have that developed, and we have like advanced markets are the customer for these products.

And then for environmental sustainability, we are the only ones who are certified by Association of Plastic Recyclers, that is APR in USA and Europe. So, our, the level which we talk is nobody is near to what Garware does.

And at the same time, I would also like to mention here that Garware also make its own resin. We do our own petrochemical to make our own resin. Wherever whoever has tried in India or making in India are using the imported resins from China, Taiwan or Korea. We have all the Intelligence on that, but Garware's unique proposition with their own in-house capabilities, and that's why our products are very consistent in quality and always best in class.

So, as of now, we don't see any such competition which is at par with the quality of Garware, and even the best our competitors in USA, they respect the brand Garware for its quality.

**Sanjay Shah:**

That's really very helpful, sir. Sir, my second question was regarding PPF. We have right now 300 LSF capacity, and that is also we are increasing from here. So, how that will satisfy the growing demand geography wise? Because I suppose now, we are penetrating and opening new sales office across the globe from U.S. to China everywhere and India is also growing. So, can you highlight in, let us make it bit clear that how the vertical will share the turnover percentage-wise?

**Deepak Joshi:**

So, we have, as we said, the capacity is 300 LSF annually, and then we have some capacities which we will use as a fungible capacity, like I explained in shrink also. We have discussed in the past on Sun control also. So, the capacities where we feel the demand is little low, there we have facilities to utilize those fungible capacities.

So, we have a quite big headroom beyond 300 LSF and we will use those capacities to cater the demand which has been created by a wonderful job from by our sales and marketing team and our new product team which has always been giving added products, value added products beyond each of them, like in shrink film also, like in paint protection film also. So, we will cater in this way.

And at the same time, we are also considering expansion, which will be announced once things fall in line, and we have, just to update the forum, that we have recently launched Matte PPF and a further two new variants are in process of manufacturing.

**Sanjay Shah:** Sir, my last question was regarding this current heat wave going on in the other regions like Europe and other countries. Do we see any advantage for our product growing their demand side moving on especially Europe?

**Deepak Joshi:** Yes. Actually, as I said, the demand from Europe has gone up. So, one of the reason is the same what you are saying, but paint protection film is unaffected anyhow because it does not...

**Sanjay Shah:** No, sun control films. My question was required Sun control films.

**Deepak Joshi:** Regarding?

**Sanjay Shah:** Sun control films.

**Deepak Joshi:** Yes. So, Sun control, definitely yes, wherever we feel, whenever there is a high temperature and all these factors come in, so Sun control demand goes up. Your understanding is right, sir.

**Moderator:** Thank you. The next question is from the line of Harsh M from Kriis PMS. Please go ahead.

**Harsh M:** Wanted to check on a couple of things. One is, we have hired consultants recently. So, wanted to understand what value they have been added? And when can we see the value addition flowing down to our P&L in terms of revenue and PAT?

**Deepak Joshi:** Yes. On the consultants, they are working really good, and their job is to create market for us in the domestic market. So, I mean, the Garware Application Studio, as we shared in our presentation, from current numbers to 200 numbers, we have reached. Then we have to make them as per our corporate identity. So, that is there.

Then putting OEs like manufacturers with us is another responsibility plus adding distributors and right channel partners everywhere pan India based on a number of cars sold, number of luxury cars sold, who are the competitors, how to get our business from, create the business from nowhere, and how to get the business from our peers by showing our quality and making it clear that we are the best choice for our consumers.

So, this all is their responsibility, whereas if we talk of the, how it will help us in bottom line, so, again, quantification of that will happen a little later, but this will help us, company for next, I would say, from now to next three to five years, because that is a brand creation and that is a creation of network where we were not present.

And another way is like we have resources all around, but putting so much resources in India is, I mean, we are doing that, but at the same time, the consultants have huge resources. So, in terms of their understanding of the market by their other, by their experience of so many years to penetrate the market faster and get the results faster. So, that is another way they will be helpful to us.

**Harsh M:** And in your opening remarks, you mentioned that you have lost some volume in the commodity business. So, just wanted to understand if you could share the volume numbers also even for PPF not just at the revenue level? So, if we can see the traction which is coming in volume terms because price movements could impact revenue. So, if you could share that, it would be helpful. Maybe now or later in the next investor presentation.

**Deepak Joshi:** Yes, we can do that, but what I meant, I think we all understood. Just to make clear, when we are talking on commodities, we were talking on industrial products like packaging segment which we have been continuously reducing over many years the percentage of our commodity segment. So, there we lost volume, and we don't, in fact, not very much after that because our main focus is the specialty business.

So, whenever we talk of the label business or simple packaging business in PET there we have lost volume, and these volumes, and that's why, I mean, we have added more and more volumes on specialty, especially from PPF and now Sun control and on the shrink and everything. So, we will try to make up from there.

But commodities, of course, is not a sought-after commodity for us, and point noted, and we can, I mean, put some kind of numbers going forward like what dropped to how much dropped for commodity sector.

**Harsh M:** And just last question wanted to check. I understand that you said that you are working on the CAPEX plans, but assuming that we have a good year, and we are more than 80% utilized this year, so we will be able to add new lines in first half of next year. Would that be feasible or there is a lead time to get those machines and then build the infrastructure and get it started? Because the way we have been discussing in the call, it seems that the demand is very good, and we would need a new line probably sooner than we had expected before.

**Deepak Joshi:** Yes, typical timeline for adding a line is one year because Garware has already like when we have a dedicated PPF line, and we have a space for another line to be added up with all things being available. At the same time, on Sun control also, we always make provision for the next expansion. So, we have done those provisions in both PPF and Sun control whenever they come. That means building another utility, utilities or near buildings is ready. We just have to call

machine and put utilities to do that. So, we are on advanced level of doing all those things. So, that's all I can update. So, within a year, that's quite possible to add another line.

**Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta:** First question was on the PPF. You know, this quarter itself we have done almost 58, 60 crores kind of revenue from PPF, and last year we had done somewhere around 75 crores. So, what is driving this growth? Is it the our Indian business is doing well, our U.S. business is doing well or our third party manufacturing for other players? So, what is driving growth to such an extent? Even this quarter we are saying that we have reached the optimal capacity utilization.

**Deepak Joshi:** So, I mean, first of all, thank you very much for your compliment, and the factor behind the growth is the work which we have been doing in last three years to establish the product because it is a product takes typically at least a year from scratch to qualify that, and it's a very tricky and complicated product in terms of quality, because many things can go wrong.

There are five components in PPF, and all are very, very critical for its manufacturing. So, it takes lot of time, and we have been putting hard work to get these things done. So, as we discussed on Garware Application Studio in India, another effort is in India, I will just explain you. When we started, some people wanted to put PPF in their top end cars, but we were not able to get the applicators for the same.

So, we started a drive to train the applicators, and we are now doing 50 applicators every month or two days training, and we also doing refreshers for them, and our team is going to wherever they are like even in Bhubaneswar, Kolkata, the Kochi or any, Lucknow, Kanpur, any cities in India, we have applicators on our role, and we are promising these people like they should be started doing the PPF, and our team will be there to give the initial support even after giving the trainings and refresher training.

So, that kind of huge network or huge work is going on to create the momentum on the ground. So, we have seen, this is only one of the difficulty I am sharing, but we have been able to do that. That's why we have seen a 10x growth on year-to-year from last year to this year on PPF, right? This is one.

And at the same time, we have customers who buy from us like window films all across the world, and we have very strong channel networks where we sell these products to them. So, it was like, again, not easy to get qualified because many of them were not doing PPF, and many of them were using very advanced products which, I mean, we were very new to the market. But over a period of three years' time, we have been able to get all this into our basket, and so that's paying for us.

**Ankit Gupta:** On sun control films, we saw a degrowth in the Q1, but as per your initial commentary, and as mentioned in the presentation, our growth for sun control films is also improving. So, on a year-on-year basis for the full year, do we expect sun control films to at least grow by 10%, 15%?

So, on sun control films, our outlook seems to be improving despite de-growth that we have seen in quarter one of this year. So, for the full year, can we expect at least 10%, 15% kind of growth in sun control films?

**Deepak Joshi:** See, numbers are not, I mean, I can't give here because I have to do all those things, but definitely, as I said, the growth, I mean, demand is back. And one of the reasons also which I was talking previously, I would like to add that one was, one another factor was last year, there were a lot of inventory was kept by our distributors or to perceive this was true everywhere. Even Wal-Mart and Costco and all those people also got lot of inventory in first half of 2022 because the growth demand after COVID suddenly surged, and at the same time shipping challenges were there.

But second half of last year, suddenly everything went down with the expectations of the recessionary trends and again high inflation everywhere in Europe and USA. So, there were inventory which was there for eight, nine months without being sold by our distributors and the channel partners world over. So, that correction, inventory correction has also been completed during I understand in last eight to nine months. So, that's why this is another factor on top of the good seasons in Europe and U.S.

**Ankit Gupta:** Sir, last question was on any update on land sales at Nasik and Aurangabad and we have a net cash of almost 300 crores by end of this quarter. And hopefully, this will further increase given our low working capital requirements as well as hardly any CAPEX required at least in the near term. So one request to the management was to increase the dividend payout. That will help us like at least distributing more dividend to the shareholders.

**Hari Nair:** So, there are the things also in pipeline, capacities in pipeline. Other things are there. We will look into this matter also.

**Ankit Gupta:** Any update on land sale of Nasik and Aurangabad?

**Hari Nair:** Aurangabad, we are not going to sell, no. See, Aurangabad is the factory premises. We will not sell. Nasik, we are in the process of getting favorable orders.

**Ankit Gupta:** And can we expect some news on that by the end of this year?

**Hari Nair:** Should hopefully, if market holds everything like good price comes, we will be able to do it.

**Moderator:** Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

- Dhwanil Desai:** Sir, my first question is on the PPF side. So, in the current quarter, what would be the mix between the private label or white label and the brand? And going forward, the growth that we are seeing from 50% utilization to very high utilization in next two, three quarters. So, incremental growth, will it come largely from the white label because we understand you have started increasing supply to one of the leading players in overseas market? So some sense on that how the mix will play out over next nine months to two years?
- Deepak Joshi:** So, the typical mix what we do is like it can be 60% to 70% on brand and 30% on white label. The reason of that we are holding one of the biggest facilities of Sun control producing Sun control films, and one of the biggest or biggest dedicated paint protection film line. So, that's why there are some good business propositions which we always work, and I mean, so we have to do both kind of businesses, and we see which makes more sense for us. It's a business decision we keep on taking from time to time. So, sorry, what was your question after that?
- Dhwanil Desai:** Sir, my question was that as we go forward, will this mix change more towards white label? Because we understand we are increasingly supplying more to the leading PPF guy in the U.S. market. So is that mix going to change more towards white label? And does it have any impact on the margins?
- Deepak Joshi:** No, actually, this thing, in fact, not one. I mean, to be precise, we have many such suppliers on our portfolio and that so our trend has always been to cater both ways, because we also compete with them. Our Global brand and Garware brand compete with all of them, but it won't change much. I mean, whatever we have been maintaining, because strategically also, we keep that under check where we have a strategy to do 60% to 70% on our brands and 30% on white label.
- Dhwanil Desai:** Just a follow up on that. So, going by that, if we are seeing such a strong growth on the PPF side in the next two, three quarters, does it mean that our brand sales also is going equally strongly? Or are we expecting that kind of growth in our own branded sales also?
- Deepak Joshi:** You are talking about our brand.
- Dhwanil Desai:** Yes. Your own brand.
- Deepak Joshi:** Yes. There was a question like about the consultant also. So, what we are doing is, we are creating, first of all, the demand for the product. And at the same time, we are creating a strong brand recall for our brand in domestic market as well as world over, and already we have a very strong brand in U.S. for Global, and for South America Garware. And in India and neighboring countries, we have a very strong brand Garware. So, we are continuously putting efforts to increase the brand presence and brand recall, and that's why we have hired external agencies also and social media agencies also we keep on going to the best in the world.
- Dhwanil Desai:** And sir, second question is on the sun control side especially in the U.S. market. So, if we look at even the recent result of XPEL, they have grown sun control at more than 30%, and their increasingly more revenue new share is coming from sun control. So, any threats in terms of our



market position in competitive landscape, and how we are competing, what incentive we have to give to keep market share? Any color on that?

**Deepak Joshi:** See, actually, if we really see the expansion on the productivity, there is hardly, I mean, in USA and Europe market, their production capabilities or new manufacturing is not increasing. Whatever is increasing is into the China and Korea and Taiwan, these kinds of countries.

Now, the advantage of Garware is Garware makes them under deep dyed polyester technology, which is available to only Eastman Group and to Garware, right? So, there may be a lot of competition in the market, but the real product quality comes from deep dyed polyester, deep dyed window films where the product quality remains very stable. It does not fade away, and many other properties come like rejections and all those things are quite good. And lastly, the aesthetic is also quite different.

So, with this, I mean, with our brand recall, and at the same time, the partners who are working with us world over, with that support, I think would be to be, in fact, we will continuously to grow, and we keep a strong track of all those things through third party agencies also, like how the market is going, what is our market share, is there any threat or something. So, there is always whoever is coming new into the market, they are always trying to cater to the very lower end market which our presence is very minimal, because we are a high quality high-end products.

So, if I give you an example, in India also, if you want to do a car, you can also do in 1,000, 2,000 versus our brand is around 20,000 top end products. So, our range is very different from the competitors, and that is continuously stable or growing into the rest of the world.

**Moderator:** Thank you. The next question is from the line of Shrinjana Mittal from Ratnatraya. Please go ahead.

**Shrinjana Mittal:** Just two quick questions. One is like one on the PPF line at like full utilization, what is the revenue potential that we see?

**Deepak Joshi:** So, actually, we have declared 300 crores, but now looking into that, it might go even beyond 400 crores. So, that's annual that can go into that line.

**Shrinjana Mittal:** Also, the second is like a bookkeeping question. If you can provide the mix of between the Sun control films and PPF films shared in the last quarter, Q4 FY '23?

**Deepak Joshi:** Percentage of Sun control and this?

**Shrinjana Mittal:** Yes.

**Deepak Joshi:** It would be roughly, if I give you in the last quarter included revenue wise, it's like 65% to 70% of Sun control and 30% of PPF. So, yes, actually, what we are doing to increase the productivity

of PPF, we are using that in a fungible set of this thing. So, it would be but still, I mean, 70%, 30% as of now, and with the growth that might increase, 70% of Sun control and 30% of PPF.

**Shrinjana Mittal:** Out of the total CPD division, right, so what would be that share? Like, we don't know that as well.

**Deepak Joshi:** See, actually, as we said, CPD, all the facilities we count together. So, giving that exact breakup will take some time. I don't have numbers in my hand. So, my finance will and...

**Shrinjana Mittal:** I'll take that offline.

**Moderator:** Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

**Yogansh Jeswani:** A couple of questions on your PPF business. So, if my understanding is correct, your Sun control films is quite strong because of the backward integration that we have, while in the PPF we still aren't very backward integrated. We are still importing couple of films and adhesives and then working on it in our facility. So, if you could share what is the technical expertise that we have in PPF, how much is the value addition that we are doing, and how confident are we in terms of being able to make margin similar to how we have in SCF given the limitation that we have in terms of backward integration?

**Deepak Joshi:** So, on PPF, this is relatively a fairly new business for us. So, to stabilize the quality, we have used some top of the class products to start with, but we have actually almost all the components developed except one major film, which is a different segment which is not a polyester film. So, apart from that, all the components and adhesives and everything have been developed by our in-house team, and it will take some time. Your understanding it, I would say, outstanding. So, in going I can say six months to one year's time, we will be, I mean, we have developed everything, but once the product is stabilized, we have taken three years of hard work to penetrate into the market. So, before going to market with changes into the product, we always be doubly sure or triply sure, and we do our own aging test, accelerated weathering tests and lot of other tests before we put any minor change also takes a big, I mean, a long time period of validation process whichever R&D and NPD team does that. So, Mr. Adsul, if you would like to add anything on that?

**M. S. Adsul:** In fact, this whole development process starts from the laboratory, and we are fairly close to commercialized some of the raw material required for that PPF, finished PPF. It really takes even for developing one component like adhesives, it takes almost a year to develop like from laboratory to plant scale. So, it's a long way journey. I would say, not even six months, but at least commercializing all these products may take around one to one-and-a-half year time to fully convert in-house for that.

**Deepak Joshi:** Yes. But in all said, what Mr. Adsul said has already explained, but as he said, we have developed or we are in the final process of that, but it could take some time to come to put into

the market very slowly, and it will go there. So, it will be exactly like what we do 100% in-house components for Sun control of more than 100 SKUs. Similarly, it will also happen in PPF. In fact, some of the products are already coming with our components already.

**Yogansh Jeswani:** So, safe to assume say for next one or two years till the time we develop a lot of these raw materials in-house and then we do the quality check and whatever the requirement is, so next one or two years, as the business scales up, we could be somewhere mid teens EBITDA margin business, the PPF segment I am talking about, and once we get all those things stabilized, then it can gradually move to 20% above EBITDA margin?

**Deepak Joshi:** Perfect.

**Yogansh Jeswani:** Sir, secondly, again, on the PPF side, just to get a bit more understanding on the U.S. side of our business. So, given that one of our largest customers is also having their own brand, and we are doing contract manufacturing for them, and we also have a vision to establish our own brand, not just in U.S., but in India and other markets also, so, typically, we have seen that such kind of dynamics don't play out quite well. So, how you as a management think about it? Or what kind of discussions have we had with the customer? How comfortable are they with us bringing our own brand? So, if you could just talk a little bit more on that?

**Deepak Joshi:** No, I didn't understand that question. I mean, you were talking on the contract manufacturing of some of the...

**Yogansh Jeswani:** Yes. So, we are doing contract manufacturing and also our own brand. So, this typically becomes a conflict beyond the point. Once we scale, then it becomes a challenge.

**Deepak Joshi:** No, actually what happens we are doing for many manufacturers for USA, right. There are many. In fact, there are, some of them are themselves manufacturers means they produce many Sun control films and paint protection films, but still, we make for them because sometimes it makes sense because we have a large facility which continuously produces very highly efficient product, good quality products, right?

And as I said, we have one of the largest facilities. So, we have to do that to continuously run, but at the same time, they compete against us because the market is quite big, and the product range is quite there are many, many varieties, more than 100 SKUs in different colors, different VLTs, different IR rejections and all those things.

So, in that way, we co-exist with them, and this has been not only in for USA. There are some parts of Europe also it is true, but that goes really well with the understanding that it is very confidential like who we supply to, and they also maintain that because it's a win-win for both of us.

**Yogansh Jeswani:** Sir, last question from my end. In terms of our overall percentage PPF sales, how much do we expect the contract manufacturing to contribute in say next one to two years?

**Deepak Joshi:** I think we discussed, I mean, repetition of that. So, overall, it's like I am saying, we always control 60% to 70% on our brand and around 30% on the contract.

**Moderator:** Thank you. The next question is from the line of Subham Agarwal from Aequitas Investments. Please go ahead.

**Subham Agarwal:** Most of my questions are answered, but I do have a few clarifications. So, firstly, on the last year annual report, in the related party transaction, we see that 50 crores has been given to Garware Industry Private Limited as processing charges. So, I just wanted to understand what is the nature of this expense, and if you can elaborate on the same?

**Hari Nair:** Basically, the processing charges which has been paid. The dyeing work is done at GIPL. So, this has been a regular feature. It's the same thing.

**Subham Agarwal:** So, if you can just elaborate what is exactly that is getting processed for our understanding?

**Hari Nair:** Deepak, you would like Mr. Adsul to look at it. So, Subham, just to give a highlight, the dying process, the deep dye technology which we have, deep dye technology in a generic manner without going to specific, Mr. Adsul will explain. This particular technology is not available normally with other manufacturers. In India we have one and one is in USA. So, only two manufacturers who use this technology. That helps us do dying, deep dying of our films which gives us a long lasting quality of our sun control films.

So, like, comparatively, there are multiple other way of getting sun control films done, glue technology and multiple other things which others can explain, but in comparison, much more robust and much more long, what you call, long standing kind of feature is available with our products primarily because of the technology or the processes which is being given by GIPS. So, this has been a symbiotic kind of relationship has been there since almost a decade or more, and that's what is there.

Maybe if you want to have a little more high-level knowledge on the technology front, our technical team can explain, but this is a broader, and it's primarily done on a volume basis, completely much cheaper than what we get in market. So, it's not if you go and try to obtain it abroad, if we are able to get it, it will be much costlier. We are getting it done at a very good price. So, from that perspective, this is something which the relationship has continued for years. It has been successful.

**Subham Agarwal:** Given the materiality of the expense, can't we do it in-house?

**Hari Nair:** We can do it. It's not that we can't do it. Then we will have to see, then there are couple of things we will have to look at. We will have to either merge the company with the private public listed company merger. So, there are other things which, of course, we are not as of now thought through because we are in the process of adding different product lines etc. We have not looked at this particular aspect that how to in-house this home product. Maybe at some appropriate point

maybe we will look at it, but we have not really thought over this particular aspect, but acquiring the process et cetera maybe we can try.

See, one point is we can always try. Currently, GHFL does have ability to try, but then we will have to at some point of time run a parallel process, invest that much amount of money, and then also possibility of what you call, getting it right, incorrect, and then running with the other contract also.

So, we are continuing with the existing contract as is various basis and the product lines are running fine. Profitability is coming from that particular product line. So, it's being run in that fashion, but going forward, maybe depending on time and circumstances, if necessary, of course, everything will have to be looked at. This also will be looked at.

**Subham Agarwal:** And sir, secondly, my question was related to the PPF division. So, earlier in the call, you mentioned that at an appropriate time we may look to add one more line given the demand. So, what would be the typical CAPEX for adding one more line, if you can highlight that?

**Deepak Joshi:** This would be roughly, I mean, in the range of 8,200 crores.

**Subham Agarwal:** And sir, is it also okay if you can share what is the typical margin at PPF division that we are getting currently?

**Deepak Joshi:** That actually, roughly, yes, it's a competitive information. So, we would like to avoid. I am sorry for that.

**Subham Agarwal:** No problem. Fair enough.

**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

**Aman Vij:** Sir, my question was on Consumer Product Division based out of India. So, if you can talk about what is the number for today, as of today, and where do you see this number in the next two to three years given now we will also be launching, we have already launched sun control films also for India? So, if you can talk about this?

**Deepak Joshi:** So, Consumer Product Division has two products. One is PPF. One is Sun control. So, PPF, we have done remarkably well in the growth has been quite substantial as compared to last year, and it was almost a nascent market when we started from almost no base, and we have created the market, and now we are creating branding along with the market. So, both things are really doing good.

On Sun control films, we have done safety glazing material as per the government rules of VLTs, and at the same time as per the BIS standards, that Bureau of Indian Standards, the rule is IS 2553, where it mentions like what kind of film it should be. So, the conformity has also been

tested. So, we have launched that product, and we have already started getting good traction and getting orders for that. So, in all likelihood, as I said, if you ask for a timeline of two to three years, I can foresee around 8200 Cr of top line and around 1820 Cr of bottom line.

**Aman Vij:** No, sir, that you explained. i was talking about the whole India business combined PPF plus SCF.

**Deepak Joshi:** PPF plus sun control?

**Aman Vij:** Yes. For India only specifically, where do you see this business in the next three years?

**Deepak Joshi:** So, I will address both separately then, because there has been different dynamics on that. So, PPF, as I said, we have done quite good growth in last one year, and that has been an increase on month-on-month basis. So, we expect somewhere around, I can say, another roughly six to seven lakh square feet which we are targeting in a year's time. So, that roughly translates into, again, 100 odd crores only on PPF.

And sun control, it all depends of how because there nothing is, I mean, we are really doing well on PPF. So, I can safely assume that this is the revenue we can generate from PPF. When we go to Sun control, again, I can see similar numbers, but there are some insane words like how it is, how receptive the market is, because earlier we were doing a big volume and Garware's sun control was a name, a big brand. I am sure we will be able to do the same like what we are doing in PPF, but it is yet to be seen.

As I said, we just launched a product on 10th of August. So, we will see the response. Then I will be able to comment like how fast and where we can go. Though we have the target, but the possibility of achieving them, we will like to take some time before we announce anything on that.

**Aman Vij:** So, on PPF, when we talk about full utilization of 400, 450 crores sales, only 100 crores will come from domestic. Is my understanding correct?

**Deepak Joshi:** Yes, it's a domestic we are talking. So, overall, we will expect more than 400 world over, and out of that, 100 might come from our domestic market.

**Aman Vij:** And this domestic will be 100% our own brand, right?

**Deepak Joshi:** Yes, domestic 100% Garware brand.

**Aman Vij:** So, white label whatever we do is for exports only?

**Deepak Joshi:** on the exports. India, so the reason also I explained very clearly, because the lines, our line capacity is very big, and at the same time we do a lot of branding efforts, but if you see in America, branding means sometimes even more expensive than producing something. So, we

have to make that combination a win-win combination for growth of the company and the sustainability as well.

**Aman Vij:** On sun control films, sir, you have talked about because of the inflation and the recession talks last nine months we weren't able to grow. At the same time, sir, among the other competitors, this very strong player in PPF was growing quite well in sun control film also. So, did we by any chance lose some market share to them? If you can talk about the same?

**Deepak Joshi:** No, in fact, not. Only one player because we watch the competitors' performance very closely. Now, there was one, only one guy who really did well. The reason for him doing is that he has been, if you really see, he bought many chains. That means he went; he changed his model actually from supplying to distributors to dealers. So, he went directly to the end customer. So, he bought lot of chains of detailing centers and invested heavily on that.

So, if you really consider his performance, we also have to see how much investment he has done to acquire the smaller players into the market, and he actually went against another competitor who was actually supplying to them. So, the share has been shifted from these two American giants because of one buying this downstream detailing center and other was supplying to them. So, the demand has come from inorganic way which was like created, which has taken by from another guy.

**Aman Vij:** That helps. My final question is on the architecture film. So, globally, this is a much bigger market than the other kind of films, and we are still a very small player. So, if you can talk about the consultants we have deployed, is it only for the domestic auto film market or also for the architecture film market? And if you can talk about in the next three to four years, do you see this becoming much bigger? Can we reach, let's say, 500 crores, which is still a negligible global market share, but is the management thinking in that way in the next maybe five, seven years? Can they scale considerably for us?

**Deepak Joshi:** Yes. Actually, that is one of the major agenda on our new product list right now. So, traditionally, what happened is, we are actually very strong on automotive, but last two years, our capacities were almost full automotive segment, especially last year and previous to that.

So, the total focus was on the automotive because it was, we had capacities which were falling short of the demand into the market, whereas on architectural segment, if you see, the products are little different. It's not exactly the same product which go into architectural segment, and we always have been a stronger player on automotive segment.

So, we have started under the leadership of Mr. Adsul looking into the products. Around 8, 10 product line we have already identified, and there we are actually taking trials, and some of the commercialization also happened recently for the European market. So, in that direction we are really working hard, and there are some more products which are into decorative and designer kind of space. There also we are working.

So, in going six months to one year, some of the products will come into the market, and our share on architectural will increase, but on a longer time span, two to three years, definitely that business, the new line capacity, I expect like 30%, 40% might go to architectural as well.

**Aman Vij:** Sorry, you missed that part. Can this become like a 300, 500 crores business for us over the next five years?

**Deepak Joshi:** That may become. I can't give you exact numbers. Yes, but the way we have been putting in efforts and our distributors have shown the kind of product they are looking to penetrate the market, we can in three years' time span we can definitely touch 300 crores business.

**Moderator:** Thank you. The next question is from the line of Chirag Fialoke from Ratnatraya. Please go ahead.

**Chirag Fialoke:** I had two questions from my side. One is resin manufacturing. Correct me if I am wrong, but that's typically not for competitors or for anyone else in the market, which is something unique for us. Would you talk to us a little bit more about how did we do this? And historically, additionally, what kind of a cost advantage, if you can broadly quantify it, does this provide us by actually manufacturing the resin ourselves? So, that's the first question.

**Deepak Joshi:** See, the margins, I mean, your question is for shrink films or for all products?

**Chirag Fialoke:** For all products.

**Deepak Joshi:** So, our backward integration from petrochemical to resins to polyester films to thermal lamination to dying of the same and then going to metalizing and finally lamination and also some of the part of PPF. So, it really gives us a very good, I mean, I would say realization as compared to the competitors. Even if the top of the line in USA, they buy their adhesives or they buy their codes or they buy their material, base material from outside, whereas in Sun control, we do most or almost everything by ourselves.

So, that gives us a very good competitive advantage both in terms of pricing and at the same time on quality and consistency of the product, whereas on paint protection films, we have not been able to use our components 100%. So, most of them are ready with us, but it will be a process of six months to one year where we will be able to penetrate all whatever we manufacture the component to put into the PPF and their margins will also significantly improve EBITDA margin on PPF side also.

Now, if you ask me to quantify that advantage, it would be difficult often to quantify like what my competitor would be doing and earning versus what I am doing and earning, but definitely, it's a clear advantage even on very simple of this is shrink films where all the competitors are buying a resin which is like Rs. 30, Rs. 40 more expensive than what we produce. So, these all advantages go to us, whereas now this clarity is, I mean, if I talk only on industrial products, so definitely this is a big advantage for us.



- Moderator:** Thank you. The next question is from the line of Yash Dantewadia from Dante Equity Research. Please go ahead.
- Yash Dantewadia:** I just wanted to get some idea on the balance sheet. You guys have around 300 crores of net cash, right? Just wanted some ideas on the balance sheet. You guys have 300 crores of net cash, right?
- Deepak Joshi:** You are saying balance sheet is on net cash?
- Yash Dantewadia:** Yes. I am asking your balance sheet, it was 300 crores net cash, right?
- Pradeep Mehta:** Yes.
- Yash Dantewadia:** Yes. So, with whatever expansions you have planned maybe for the next one or two years, do you have enough cash to do it through internal accruals?
- Pradeep Mehta:** Correct. So, we regularly do our cash balance as well as the CAPEX and all the revision continuously. So, this quarter also we paid some of the term loan around 50 crores in this current financial year, and we have sufficient cash for expansion also in future.
- Yash Dantewadia:** And also regarding the land sale, Nashik is on for land sale or it's not for land sale? I didn't catch that actually.
- Deepak Joshi:** It is under evaluation as Mr. Hari Nair was explaining. So, we are waiting for the right pricing or right opportunity to monetize that.
- Yash Dantewadia:** Approximately, what would be the land value? You are looking at the Nashik value.
- Hari Nair:** Yes. See, currently, the book value is around 80 odd crores. We will have some pop on that particular number. All depends on the, of course, there will be a tax element and those kinds of things will be a minus to that, but there will be a reasonable amount of this is a revalued number 86 or 80, 90 odd crores is the revalued number in the balance sheet. I think we will get better than that, but of course, taxes we go to net amount will be little lower than the gross amount.
- Yash Dantewadia:** Did you say 890 crores?
- Hari Nair:** Yes, 80, 90. 80 to 90 crores.
- Moderator:** The current participant in the queue seems to have dropped from the queue. We will proceed with the next question which is from the line of Gunit Singh from CCIPL. Please go ahead.
- Gunit Singh:** So, as you mentioned that the conditions abroad are improving and we are expecting 100% capacity utilization for PPF films and also with the new product launch in August, so, I mean, in PPF we have been clocking around 60 Cr quarterly revenues, and with full capacity utilization

you mentioned around 40 to 50 Cr more in that. So, I mean, as your run rate for the coming quarters, can we expect it to be like upwards of 410 Cr, I mean, quarterly in terms of top line realistically?

- Deepak Joshi:** Yes. Annual revenue of more than 400 crores is quite possible. Yes.
- Gunit Singh:** No, I am talking about overall. Not PPF. Overall quarterly revenue. I mean, can we expect a run rate of about 410 crores?
- Deepak Joshi:** Yes. It is quite possible, yes. We are moving in that direction.
- Gunit Singh:** And I want to understand if, I mean, we can use the IPD capacity for PPF?
- Deepak Joshi:** No, not possible.
- Pradeep Mehta:** That's not correct.
- Deepak Joshi:** That's a very different line. IPDs are a very different line. So, the only concern which we had is the IPD capacities versus these, but we have the fundable capacities to increase the productivity of PPF which we are in the process of doing.
- Pradeep Mehta:** Yes, but IPD capacity will be utilized for some of the raw material.
- Deepak Joshi:** Yes. So, IPD capacities are being utilized or under process for the components of PPF, not for manufacturing the PPF.
- Pradeep Mehta:** But Sun control line can be utilized for PPF. Some of the intermediate processes can be done.
- Gunit Singh:** So, sir, directionally, I mean, we can say that we can safely expect around 1600 Cr revenue this year looking at 400 Cr plus run rate and I mean, better margins because of the things that you have mentioned. Is my understanding correct?
- Deepak Joshi:** I can assure you that it is going to increase. It is going in the right direction, but exact numbers we can't give, but definitely, I mean, understand is correct. Business is growing. So, the top line will increase.
- Gunit Singh:** I have my last remark to make. So, I mean, since we are sitting on net cash, why don't we do share buybacks instead of hefty dividends that will pay out as share buybacks are more tax efficient and they are also EPS accretive in the long term? So, I mean, the long-term investors who are holding the shares for a long time will be awarded more with the buyback rather than doing hefty dividends. So, I just want you to please consider doing a share buyback in future.
- Pradeep Mehta:** Your suggestion is noted.
- Moderator:** Thank you. The next question is from the line of Yash, an individual investor. Please go ahead.

**Yash:** As the last caller has mentioned, even I was of the opinion of the buyback should be it will reduce the equity as well and also regarding the Sun control films, so we are mostly export oriented. 90% is exported. Because of the new regulation that happened in India in a market, how the mix is going to change? How is the mix going to change? Sir, earlier 90% is export oriented. So, now because there is a market in India now, so how the mix is going to change?

**Deepak Joshi:** See, as we said, first of all, that will be the incremental business for us because our new lamination lining yet to be utilized, fully utilized, or it is in the nascent stage of utilization, because it's only six-month-old. So, whatever business will be added, that will be like a additional business for us for Sun control. And since this is a very new initiative which we have taken since 10th of August only, so we will rather wait, prefer to wait to see the responses, but definitely we are expecting good response, and this all-additional business will come to us. So, it will not change any product mix.

**Yash:** Definitely, sir.

**Moderator:** Thank you. The next question is from the line of Naysar Parikh with Native Capital. Please go ahead.

Naysar Parikh: I want to understand how you see the domestic market shaping for PPF and if you can just talk a bit about that? My question is about the PPF business within India and how do you see that growing? And also, you talked about GF. So, if you could talk a bit about that?

**Deepak Joshi:** So, I mean, unfortunately your voice was not clear, but if I understood it correctly, we say yes, that you want to know the growth of PPF in India and how the Garware APPLICATION STUDIO (GAS) is growing, right? So, is it your question?

**Naysar Parikh:** Yes.

**Deepak Joshi:** So, actually, as we said, the growth for PPF has been quite good. If we compared, in fact, three years back, there was hardly anybody understanding the PPF, and whenever anybody wanted to apply it, that time there was hardly any studios or applicators who can do that job. It is highly skilled labor is required to do that. And in the USA and rest of the world, people are, I mean, there are institutes who teach these kinds of techniques.

So, to looking into the create the market, we started that initiative, and we are happy to announce that we have already crossed 500 applicators in India, trained applicators in India, and the rate is around now we do like earlier there were we were doing 20, 25 applicators a month. Now, since last six months, we have doubled them. So, roughly 50 applicators a month we are training, either fresh or refreshers. So, we are creating momentum so that their, I mean, employment created in terms of applicators.

And at the same time the business grows because if applicators are available in the BTR, CTR cities, even the lower to them, so the business is getting increased there. And to facilitate the

business, we started a unique initiative called Garware Application Studios. So, far we have around 80 studios in place, and we have a target to make 200 of them.

So, we have lot of requests coming for to allow the Garware Application Studio to allocate them, but our team is evaluating them in terms of like geographic reach is correct, the financial position is correct, and the demand for PPF which makes sense for that. So, these all studies are in progress, but we have a target to reach 200 Garware Application Studios which we will do. And with all those efforts, we have a target to reach around 80 to 100 crores of revenue from PPF in the domestic market.

**Moderator:** Thank you. The line of Parshwa Gala, an individual investor. Please go ahead.

**Parshwa Gala:** Two quick questions. Maybe get an update on your current plan in Mumbai situated in Vile Parle as to how it's being utilized or there are some kind of talks going on regarding the sale of the land?

I just wanted to get an update on the current land, which is situated in Vile Parle, Mumbai, and so how it's been utilized or there are some kind of talks going on regarding the sale of the land?

**Deepak Joshi:** See, as of now, we are not in a, what you call, we are not interested in selling. We have some offers for joint development. We are actively looking at it. As of now, the way the offers are, it doesn't, we believe that it could be much better. So, that is the current position. Currently, it is our Headquarters Corporate Office and plus we have one Garware Application Studio which is in this same premise. So, we are utilizing it in a optimal manner as of now.

But going forward, maybe over the long horizon, we will do some kind of development in this property, and we will without be investing much money from the company perspective. The Company is investing money in real estate doesn't make much of a sense from a shareholder perspective or from an investor perspective. So, we will not do that, but we will take some kind of a JDA or so it will depend on the market and the offers which come into table. That's the current position.

**Parshwa Gala:** And my last question was, do you think the coming election and the political agendas that follows the election could impact the numbers of the company in the recent maybe the coming quarters of the year? Are we seeing that these things are practically indifferent to the growth of the company?

**Hari Nair:** I got the question. See, most of the products are sold abroad, especially the consumer products are sold abroad. We are trying to make a headway in India, and it's not dependent on political scenario. Economic, of course, everything is ultimately dependent on the economic, the way economy works either in India or abroad. So, there will be some amount of linkages.

Everybody is sitting in an interconnected world. So, there will be some interconnection maybe second order effect or third order effect, but beyond that, directly, there is nothing which we

need to look at say, consumer products, we have decent enough brand traction. So, that will continue.

Industrial product, there will be some challenges coming out of excess capacity. Of course, at some point of time, that will also the demand will mitigate the excess capacity, but there is no immediate, there is no interlinkage between the political horizon and business horizon from our perspective.

**Parshwa Gala:** And you have already invested heavy in R&D. So, do you plan to invest more in the coming months? Or are you good for now?

**Hari Nair:** What kind of investment? Sorry.

**Parshwa Gala:** Investments in R&D?

**Hari Nair:** Mr. Adsul can explain, but R&D is a continuous process. So, we have a department which runs on it, runs R&D process. So, let Mr. Adsul speak. He is expert in this matter.

**M. S. Adsul:** We have government recognized R&D centers. We have internal two R&D centers recognized by Government of India, and we have dedicated 50 plus staff working in R&D. Their job is only to do new product development. So, that whole staff is dedicated. We have very well-set equipment for testing, so very well developed laboratories. We have a pilot plant for manufacturing raw material. We have pilot plant for processing film. We have pilot coaters, and we have pilot facility to do polymerization. So, very, very well-equipped R&D Center is there.

So, continuously, people work on developing a new product or upgrading existing product as well as they work on reducing the cost of the existing product. And continuously we do the benchmarking of our products vis-à-vis competition throughout the world, and we always try to upgrade our products or develop new products. So, we also work with our overseas customers and as per their request, we develop some products. So, we continuously work in R&D and several different ways, we develop new products.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. On behalf of Garware Hi-Tech Films Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.