

Garware Hi-Tech Films Limited

(Formerly known as 'Garware Polyester Limited')

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July 1, 2021

The Compliance Manager

BSE Limited

Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai - 400 001

Scrip Code: 500655

Subject : Transcript of Conference Call with Analyst / Institutional Investors.

Dear Sir/Madam,

This has reference to our letter dated 25th June 2021, intimating you about the conference call with Analyst / Institutional Investors on Tuesday, June 29th 2021.

Please find attached herewith the transcript of the aforesaid Conference Call.

A copy of the same is also uploaded on Company's website.

Kindly take the above on your record.

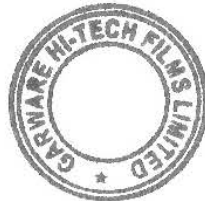
Thanking you,

Yours faithfully,

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



Awaneesh Srivastava
Company Secretary



Encl: As stated above.



REGD. OFFICE : NAIGAON, POST WALUJ, AURANGABAD - 431 133
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**“Garware Hi-Tech Films Limited
Analyst Conference Call”**

June 29, 2021

MANAGEMENT:

- MR. C. J. PATHAK – WHOLE-TIME DIRECTOR**
- MR. B. D. DOSHI – DIRECTOR**
- MR. PRADEEP MEHTA – CHIEF FINANCIAL OFFICER**
- MR. S KRISHNAN – DIRECTOR SALES**
- MR. AWANEESH SHRIVASTAVA – COMPANY SECRETARY**



Moderator: Ladies and gentlemen, good day and welcome to the Analyst Conference Call of Garware Hi-Tech Films Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Snehkumar Purohit. Thank you and over to you Sir!

Snehkumar Purohit: Thank you. Good morning everyone and a warm welcome to you all. I am Sneh Kumar Purohit from Blue Lotus Communications. We represent the Investor relations of Garware Hitech Films Limited. The purpose today’s Conference Call is purely to educate and bring awareness about the company’s fundamental business and financial year under review. I would now like to introduce you to the participants in today’s Earnings Call.

From the GHFL Company Management we have with us

- Mr. C. J. Pathak – Whole Time Director,
- Mr. B. D. Doshi –Director GHFL,
- Mr. Pradeep Mehta – CFO,
- Mr. Krishnan – Director Sales,
- Mr. Avaneesh Shrivastava – Company Secretary.

From Blue Lotus Communications we have:

- Mr. N. Chandramouli – CEO Blue Lotus Communications,
- Mr. Tushar Patil – Head Investor Relations.
- Mr. Snehkumar Purohit – Sr. Executive Investor Relations

From the Investor community, we have:

- Mr. Anshul Shah – Managing Partner, Alpha Plus Capital Advisors,
- Mr. Prakash Diwan – Head Cross Border Investments Altamount Capital Partners,
- Mr. Mayank Mamania – Fund Manager, Mavira Investments,
- Mr. Sudhir Bheda – Director Right Time Consultancy Private Limited,
- Mr. Hemant Ashar – Fund Manager, Prikar Investments,
- Mr. Sunil Kabra – Advisor Family Office Pramesh Wealth Private Limited,
- Mr. Parth Kotak – Senior Analyst, Alpha Plus Capital Services.

Thank you and over to you Pathak Sir, for the company overview and then we can head to the Q&A session, Sir!



Garware Hi-Tech Films Limited
June 29, 2021

C J Pathak:

Good morning and welcome on this call. I welcome all of you. I will take through the company's overview of the business, what company is doing.

We are into polyester film business, and we have a manufacturing set up to manufacture the raw material i.e., polyester chips which is made out pure Terephthalic acid (PTA) and Monoethylene Glycol (MEG). These are the two major ingredients which we buy from Reliance on input parity price and manufacture polyester chips.

The polyester chips are a basic raw material for manufacturing polyester films. We manufacture almost 25–30 types of different types of polyester chips which are required for making the various types of polyester films for the various end application. Then we have four polyester film lines where we manufacture the polyester film from 10 micron to 350 micron. The different films are used for different end applications say like thin films which are classified from 10 micron to 50 micron those are used for flexible packaging application, which goes for food and pharma packaging.

The films above 50 microns are used for the insulation application, the motor insulation, cable insulation, for electrical insulation application. This is also used for TV and laptop screens because these films are also used in the different layers there and these films are also used forming some of the layers out of that.

These films also go for the window film applications, safety film applications and that is a different vertical we will talk about. On each line of manufacture, we have speciality products, speciality means the products which are known as manufactured in India. Ours is the only company manufacturing that kind of products and we export to almost more than 80 countries all over the world. For that purpose we have been receiving the highest export award from PLEXCOUNCIL. So, far we have received continuously for the last 33 years such award.

Coming to the speciality films which we manufacture, the insulation side we manufacture the low Oligomer films which are used for hermetically sealed compressed motors and name all the big brands, LG, Samsung and all such brands they are using our product. These products are sold through converters because they have to make the specific dye cut before they provide to such manufacturers and all this industry is situated in China, this particular industry is centralized in China. So, 100% of our production from online will be exported to China for this application and we are competing. We have a dominant share in this market though it is a small market, but it is very, very niche market. Second such product which we are catering from the company manufacture in India and catering to the Indian as well as the international market is the Cerent Label Films. Cerent Label films are also used for the label application of the beverages and that is exported in a big way. There are certain such products like cake syllable films, sequin application films, certain films are there that is also speciality application films.



Garware Hi-Tech Films Limited
June 29, 2021

Coming to the second vertical, we are one of the two companies in the world possessing the patented technology for manufacture of the coloured polyester films. Coloured polyester films are used for manufacturing the window films, used for auto application as well as the flat glass application of buildings and building windows. It is also used for the interior decoration applications. It is also used for safety films manufacturing and off late we started in December a new plant for manufacturing a pen production film, which is also a technology product and we are successful in launching and the product is very well received in the international market and we are getting a good response from all over the world.

This is all about the brief of our manufacturing facilities and products and where we are catering to. I think during the discussion we can discuss more in detail and answer to your queries, so over to you I open it for your questions and answers session.

Moderator: Thank you very much. We will now begin the questions and answers session. The first question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

Sudhir Bheda: Good morning Sir and thank you very much for sparing time for us and a big thanks to you and your team. Very glad to know that you are only one of the two companies that have the patented technology for coloured polyester film which is used for window applications and building material and interior speciality PPF kind of things. Sir, I have three questions, one by one I will ask the question. First my question is in window film and PPF, we are competing with the world leader like 3M and XPEL, so how we are positioned vis-à-vis these brands, are we compelled to compromise on the margin front while competing with this kind of big name and just wanted to know about our global brand position vis-à-vis all these brands?

S. Krishnan: Good morning. This is Krishnan, here. We sell our products in the international in the case of the window our predominant sales is in the international market. In the domestic market we do not sell window film except for architectural applications. The window film we primary sell under a brand called Global, the Global brands competes with the international brands which you mentioned such as 3M, XPEL, Lumar etc., in the US market. The US market is about the largest market for automotive application. In automotive application we are the third largest brand in that market and our product is positioned in the market vis-à-vis others almost at the same price as others sell. We sell at the same price as 3M or anybody else. The key reason somebody buys us is because of the quality of the product. We have established our products on quality platform and the global had recognition because of the quality performance. In fact, we had a recent exhibition or participation in an annual event called Tint-Off which was held at Orlando where all the major manufacturers of window films participated in US and after that there is a competition which is held, all the global best applicators or tinters come and apply the product. There were about 96 such contestants and we won the silver trophy. Our product is very well recognized in the US market, so is it in other markets such as Europe, Middle East, Far East etc., for the window films. The PPF we have recently entered the



market as you are aware we just established our plant in the last quarter of the previous financial year and now we are into the market with our products, so those are getting established in the market again with the global brands and those products are also sold at par or similar prices as the competition in the market, so this is where we are.

Sudhir Bheda: So, we need not to compromise on the margin front, right? So, whatever margin pressure we saw in Q4 which will be passed on and we will be at par like Q3 margins, correct?

S. Krishnan: Yes, whatever margin we have been gained we will continue to get those margins.

Sudhir Bheda: Thank you Sir and my second question is, in concall which was recently held after the results, you have given very aggressive guidance of Rs.1500 Crores turnover by 2023, so that means next financial year. So, can through some colour from where the growth will come and constituents of growth engine?

C J Pathak: As I said in this call also that our pen production film plant has gone on stream in December, and we could reach the breakeven so fast. That plant will add topline of Rs.300 Crores by March 2023 and we are going ahead with the expansion of the capacity expansion which is already announced for increasing the capacity of lamination and coating line which will also increase the topline by Rs.300 Crores by March 2024. So, that is how the topline will grow by about Rs.600 Crores by March 2024 and you know relatively the bottomline will also grow.

Sudhir Bheda: Sir, my third question is I think one year back we were kind of thinking to put our DMT plant for some alternative use, so what is the status over there?

C J Pathak: We have tried all the possibilities on that line because that plant was specifically designed for manufacture of DMT, those versus etc., cannot be used for some other purpose. We have tried for manufacture of the biodiesel, which was possible, but biodiesel is we have used the feedstock as Palm Fatty Acid Distillate (PFAD). The PFAD being a major raw material is available in Malaysia and Indonesia and Thailand that side, Far East countries. So, there is a duty structure which varies similarly the processing the government has restriction that we have to sell to the government only and the prices which were declared by government that time we were not able to manufacture within that price as the duty structure were varying even there was a duty on biodiesel also, so one is that the import duty, second is the prices at which we have to give it to government and third is the taxes on bio-diesel those were like petro-diesel and those were very taxes, so that was not economical that could not go ahead much.

Sudhir Bheda: Okay, thank you Sir, and I will then join in the question queue. If some other follow up questions are there. Thank you very much for the opportunity.



- Moderator:** Thank you. The next question is from the line of Parth Kotak from Alpha Plus Capital Advisors LLP. Please go ahead.
- Parth Kotak:** Greetings to everyone on the call and thanks for giving me the opportunity. I have a couple of questions relating to our PPF business, so one, I think on the previous call you had mentioned that you will be using master distributors as a post to XPEL and 3M which are tying up with individual tinters. So, does this affect our margin, I mean we do have to pay the linkage to the distributor, right?
- S. Krishnan:** Well, the distribution model for different companies is different. If as you are aware XPEL is located in US, so XPEL also has distributors in other parts of the world whether it is Middle East, whether its Europe and China etc., they have distribution in all countries because they are located but within there they have a different business model. They also have distributors but their business model is different as compared to ours, because we are located in India and we need to send the goods from here to different part of the world, US as you are aware has 52 states, to cover 52 states from here is a very difficult proposition, so we need to go through let us say via media or somebody who will help us improve the sales in each of the states. So, what we have done is we have distributed those 52 states among five distributors through whom we sell our products.
- Parth Kotak:** Great. That was very helpful. Mr. Krishnan, I may just interject a little bit you had also said that the other players have the same kind of a model in other countries than the US is you had mentioned that.
- S. Krishnan:** That is what I expect, that is exactly what I expect.
- Parth Kotak:** Correct, great. Also, I think since we are launching PPF in the US markets do you think we will launch it on a lower price compared to XPEL and 3M and Lumar?
- S. Krishnan:** Well, XPEL offers a range of products. They have three different types of products, a comparable product of ours is at the same price is what the others are also charging in the market.
- Parth Kotak:** Okay, on that note Sir, I think you had mentioned that there is a customized library for specific vehicles, so you also have that library for specific vehicles, right?
- S. Krishnan:** That is right, the software part you are talking of?
- Parth Kotak:** Correct?
- S. Krishnan:** Yes, that is right.
- Parth Kotak:** Okay, if I would just squeeze in one last question and then I will join the queue. So, do we have plans to tie up with OEMs or auto dealerships to increase market presence in the US?



- S. Krishnan:** That is correct. What we do is our distributors who are already present as I explained to you, they in turn tie up with auto dealerships of various brands. So, we have already tied up with a couple of them and because of our window film business where we are already in touch with them, so we are already tying up for PPF as well with some of them.
- Parth Kotak:** Sure, great. I will join back in the queue, Sir. Thank you for taking my questions.
- Moderator:** Thank you. The next question is from the line of Sunil Kabra from Ramesh Wealth Private Limited. Please go ahead.
- Sunil Kabra:** Good morning. Thank you so much for the opportunity. My question is relating to the financial aspect, one is relating to is there any MAT credit which we are carrying on and what will be probable consumption period which we switch to the normal tax regime and second is relating to the total carrying value of the non-core assets for the potential monetization if any in the balance sheet?
- Pradeep Mehta:** On MAT credit we have some balance still after March 2021, so another one year is completely there where we have to avail this MAT credit. This current financial year we have to avail. At the end of the financial year we will come to know how much the balance against the taxability is, so that next year will be possibly there is possibility of to go to new tax regime, so these are on the MAT credit and on assets which needs to be monetized as of now we cannot comment on that because we have certain assets in the form of land, specifically that all plant and machine and everything is 100% at capacity utilization except DMT plant rest everything is used. So, there are no assets which we must monetize except the land, but the land is not in a plan for monetization.
- Sunil Kabra:** Thank you. The 2021 March if you see annual report is not available, we cannot an insight of the breakup in the classification of the investment but going through the Q4 figures I can make out that the investment of Rs.226 Crores has been shown in the balance sheet of these abridged data. So, can you guide us what will be the short-term and long-term nature in that particular investment which has been grown by Rs.100 Crores odd from 2020?
- Pradeep Mehta:** Broadly there are investments which are in long-term nature is with the group companies around Rs.69 Crores, which is a long-term in nature rest balance around Rs.160 Crores is current investments in Mutual Funds.
- Sunil Kabra:** Thank you so much. I will come in the queue next.
- Moderator:** Thank you. The next question is from the line of Prakash Diwan from Altamont Capital Partners. Please go ahead.



Prakash Diwan: Thank you. Thanks so much for this opportunity and putting this time together for us, wonderful to hear about the exciting PPF business. My question is focused on that, couple of things and Parth probably on seeking to know the same things. So, when you have multiple products within PPF line Trans Shield, Neo, Ivory White, how do you decide on the product mix that is one, is it driven only by the demand side or is there a significant delta in terms of the margin side that you make on each of these, and when you say Rs.300 Crores, as probably what this could lead to the current capacity which roughly is about \$40 million, across how many customers would these be spread out, is it only luxury the segment that we cater to, because some of the films would probably adding value only in high end cars and is there a retrofitting market for this as well or is it only through OEM, those were my questions on the market side?

S. Krishnan: One, is I will start your question from the bottom end in terms of the PPF or in the sequence that you asked for. In terms of the PPF we decide on the product depending on the demand in the market, we have a market study in terms of what products are sold in which geographies and we develop products depending on that demand in that market, so that is what we do number one. Number two is, in terms of the OE demand we directly do not sell to OE as was explained to you, we sell through the retail chains that the OE has, meaning they have dealers, distributors for their products, so we sell it to those dealers and distributors in terms of the PPF. What was the other question that you asked?

Prakash Diwan: Retrofitting, I mean if you are selling through dealers, I am sure there will be some retrofitting possibility, right?

S. Krishnan: Yes, the retrofitting possibility is done through set of tinters who specialize on that activity, the dealers do not do it but it is run subsequent to the purchase of the car by those tinters these tint shops are available all across including in India there are several of those tint shops which are available and who do the retrofitting and we also sell what is known as kits meaning not necessarily the entire car gets covered with the PPF, so we also sell the PPF for accident prone areas, so these are converted into kits by converting who make smaller packs depending on different models of the car, so let us say only the bumper portion, the fender, outer, rear view mirror, some of those kits are also made and out of the PPF which we supply and then it is also fitted on to cars.

Prakash Diwan: Got it Sir and my last question which remains is, like you have the Ivory White which goes into let say of course it is just an illustration on your website which sells to Mini Cooper the Neo Black. In terms of car OEMs how many would be involved in this whole mix of the dealers and distributors that you cater to?

S. Krishnan: Yes, OEMs as I explained to you, they do not buy from anybody.

Prakash Diwan: Yes, they do not buy but in the sense these dealers and distributors must be associated with at some OEM level?



- S. Krishnan:** Correct, so the dealers or distributors of the OEMs they buy from us, these were only products what we have shown are possibilities per se for example the black mat is another the clear film. They are once which we sell majorly are these clear films, clear films also have different variations that we sell. The black and white are options, the black has a reasonable demand, and white has not shown so much of a demand in the market per se.
- Prakash Diwan:** Yes, so this \$40 million number that we are talking about contributed from PPF, this is significantly small as compared to our market share or the market itself got too large. I am just trying to figure out, of course we are talking with the expansion which doubles this but how big is the market because this is a promising new business with high entry barriers, so just trying to figure out the longevity of the revenue build up over the next few years?
- S. Krishnan:** The market in US alone is somewhere in the region of Rs.2500 Crores to Rs.3000 Crores and it is growing at about 7% - 8% or so, and what we spoke about the \$ 40 million is our business of the PPF in terms of year 2023. So, we said about Rs.300 Crores we expect out of the PPF business by 2023, some part will go into US market and some will go in the other markets as well.
- Prakash Diwan:** Great, alright good. Thank you, Sir. The next question, I will queue up and let others go ahead. Thank you so much Mr. Krishnan.
- Moderator:** Thank you. The next question is from the line of Anshul Shah from Alpha Plus Capital Advisors LLP. Please go ahead.
- Anshul Shah:** Thank you so much for taking the time off and doing this to help us understand the business. I had a question similar like Mr. Diwan, I just wanted to understand what the global size of this market is, US is Rs.2500 Crores plus I think Europe could be similar size?
- S. Krishnan:** US market is a little complicated, little complicated meaning you can have PPF with different products, we use a product which is TPU which is the most expensive and quality wise the best which is available for PPF. You can also do a paint protection film with PVC which could be a product which they use which is used generally in China etc., similarly they also use a hybrid product which is between a PVC and TPU which is called TPH which is also used for manufacture of PPF so, if you remove those PVC and the TPH product and all globally the market is somewhere in the region of about Rs.5000 Crores.
- Anshul Shah:** Okay, if I may ask one more question, so even in the film protection, I mean the window film business, is that also a similar size as the PPF?
- S. Krishnan:** Beg your pardon.



- Anshul Shah:** Is the window film which means also of the similar size or is it larger or smaller than the PPF?
- S. Krishnan:** It is of the similar size that is correct. The window film also is of a similar size. Again you have window film is a bigger, just if you look at the low-priced films which are available out of China and some parts of Korea etc., then the size is much bigger than what we spoke about in terms of the window film. But the branded and the quality products which are available that size will be about the same size which we explained in terms of the PPF.
- Anshul Shah:** One last question if I can. We are largely focused on the automotive sales, but I just wanted to understand can our production facilities cater to the other parts of this which mainly have applications in window protection, architecture ways in etc?
- S. Krishnan:** Yes, the architectural films are slightly different. We do cater a small percentage to the architectural space as well. But the technology that is required for the architectural space is known as the sputter technology currently we do not have that in terms of production portfolio. So, we are not able to cater to the architectural space. We do make some amount of safety films again that is a big market. So, architectural space is also a very large market globally which we are currently not present we are present with the small volumes I would say.
- Anshul Shah:** Thank you so much. I will join back later if I have some follow up questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.
- Sudhir Bheda:** Thanks for the opportunity again, Sir. Just I wanted to understand what are the other blockbuster product kinds PPF which are in the pipeline and which we are going to launch in next one or two years, that are my first question, Sir?
- C J Pathak:** We are working on several products which in itself continuous process what market demands we create that kind of product either with the modification in the existing product or new product or the demand of the market because we have our own R&D, and we cater to the requirement of the market. Similar such products which we are selling at present, but we have capacity limitations and within the capacity limitations where we get the maximum margin those products we manufacture. But in future there can be a leading film which might get a more momentum and more market that is the leading application films. We are of course selling that in a small way but that is one of the good products which is framing.
- Sudhir Bheda:** Yes, and Sir my last question would be like, how current year is panning out because of second wave of COVID and demand disruption which is happening particularly in India of course global market is strong. So, how the things are shaping out in view of all these problems?



- C J Pathak:** By that, the first quarter where there was some set back and whereas all the quarters we could run the capacity properly and in the last quarter you must have noticed we have utilized the complete capacity at both the segment, the industrial product or the newer product and because we are into major exports more than 70% - 75% export. We are a continuous process industry and we are into essential products, the film goes for pharma and food packaging and beverage labeling. So, because even during COVID times also, government has given permission to run the industry with a reduced number of manpower and we could do that, and we continued production during COVID also and serve all our customers internationally.
- Sudhir Bheda:** Sir, one more question to be very specific on that if you would like to answer. Apart from Parle in which area we have other land parcel?
- C J Pathak:** We have land at say Aurangabad at two locations, Waluj and Chikalthana it is all prime locations.
- Sudhir Bheda:** Okay, Aurangabad and?
- C J Pathak:** Within Aurangabad there are two locations, one is Chikalthana industrial area, and another is Waluj industrial area.
- Sudhir Bheda:** Okay, so apart from Parle we have at Aurangabad?
- C J Pathak:** Aurangabad and Nashik also.
- Sudhir Bheda:** Nashik also, oh! Good. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Parth Kotak from Alpha Plus Capital Advisors LLP. Please go ahead.
- Parth Kotak:** Sir, I would like to understand the working capital for PPF I think for sun control we mostly sell on advance, so will the payment terms be the same?
- C J Pathak:** Film terms are the same, we sell against advance for LC.
- Parth Kotak:** Okay, and Sir from what I understand PPF should be ideally a higher return generating business, in terms of it is a substantially a higher asset on business and I think the working capital structure does not change, so is my understanding correct?
- C J Pathak:** Yes.
- Parth Kotak:** Okay, and on the inventory side I understand we will have higher SKUs for PPF right, so will inventory level be a little elevated then normal?



- C J Pathak:** Yes, it will be based on the demand of the market and all. So, initially it will increase but subsequently it will come down at a nominal level.
- Parth Kotak:** Sure, makes sense. Sir, in terms of the competitive landscape I understand the players which are already existing but what do you think stops other players from entering this market?
- S. Krishnan:** Nothing stops them from entering the market again. The users of this product rely on the brands which are available, so if you are an established brand in the market that is what succeeds. There have been others who have tried it earlier but have not succeeded with their products. See PPF is a product which must be of a very high quality, number one. Number two, you are putting it on to the paint body of the car, the car is very expensive meaning I am talking of premium cars who use this. The lower end car does not use these products at all, I mean most of them are the high-priced car which is using the PPF and therefore if they use a PPF which is not of good quality the chance is when you remove the PPF they will take of the paint along with it. So, there is a high risk, so the customers are very wary about using any brand on their car. So, they always would want to use products which are well known, which are established products, and which are already there in the market with proven credentials at least in this business. So, that is the reason we have been selling as you are aware say the window films for a long time, we have established the global brand under which we sell this product. We are also another brand called Sun Control and Garware, these are three brands under which we sell our product, all these three are very well-established brands in different geographies and so customers who know these brands they ask for that and even on the PPF it has helped us enter the market easily but for anybody else to enter it is very, very difficult.
- Parth Kotak:** Sure, Sir I think have eluded in the pat about interchangeability of production line. So, if you could touch upon the same again, how does this work even PPF and Sun Control all these lines are interchangeable?
- C J Pathak:** Yes, these products are interchangeable.
- Parth Kotak:** Sir also if you could touch upon the duty structure both import and export, so I understand we are doing only export, so one is there any export duty and second, if we plan to start domestic sales are we protected from cheap imports?
- C J Pathak:** As Mr. Krishnan, has just explained that if we go for the branded product where the companies offer the proper warranties otherwise because these schemes are used from very fancy cars and the proper product is very, very essential. People have faith in Garware products and that is why we are getting good response.
- Parth Kotak:** Sure.



- C J Pathak:** The second question about the duty which was debt nullified because we are importing for export.
- Parth Kotak:** Sir, I think our raw material cost in the recent past has come down I can see your material cost has come down. So, PAT and MEG primarily would have come down or the realization for our product would have gone up. So, one if tomorrow the prices of our raw material increased what would be our ability to pass on the increase in cost?
- C J Pathak:** Raw material prices has already increased last quarter and thereafter and here in this business it is passed on to the customer, only there is a time lag while passing it on in the international market, domestic market it is passed on immediately.
- Parth Kotak:** Sure, makes sense. So, I think a margin of 20% to 22% would be a sustainable margin? Would that be fair to say?
- C J Pathak:** That we are targeting.
- Parth Kotak:** Okay, great. Sir, I have just two last questions one, if you could help me understand about who are involved in the daily operations of the business, are promoters actively involved or it is professionally run?
- C J Pathak:** Yes, the promoters are involved, and the promoters are professional also. They are highly qualified from the overseas top B-schools and there is a management committee also internally, so that is professionally managed.
- Parth Kotak:** Alright, great and Sir my question is regarding the land. So, you just mentioned that land in Aurangabad, Nashik and Parle. So, as per my understanding land in Aurangabad would be utilized by us for manufacturing. The one in Nashik and Parle would be completely owned by the company and is it rented to somebody; it is completely free hold right now under no use, what is the structure there?
- C J Pathak:** Mumbai is free hold, Nashik is MIDC lease hold, Aurangabad - Chikalthana is MIDC lease hold and Aurangabad – Waluj is free hold.
- Parth Kotak:** Okay, that is all from my side. Thank you, it was helpful while you answered all my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Prakash Diwan from Altamont Capital Partners. Please go ahead.
- Prakash Diwan:** Thank you for allowing me again. Sir, my question is related to this NTB which seems like V-sky territory given the strength and confidence that the PPF vertical would start providing an acceptance



in newer applications and as I can make out the R&D is more at a molecular chemistry level, it is probably you are working at. Given a choice would you believe capital allocation would be more prudent if it is put into backward integration of the manufacturing process or would at some stage be in a position look at setting up overseas plants as well or inorganic growth, I mean acquiring something which was existing because it seems like this is low on labour, high on intellectual capital more than financial capital, right. So, what would be the idea of growth path three, four, five years from now, I am not talking about 2022–2023 but I am seeing slightly beyond that?

C J Pathak: Talking about the backward integration we are already there, and we have sufficient capacity to cater to our own requirements, we are not selling the chips in the market.

Prakash Diwan: Correct, it is more captive right now. Yes.

C J Pathak: Yes, we have all kinds of facilities say like, for manufacturing different types of chips also including the master batches which is the crux or Heart of the R&D, so which we do in-house. Going forward for the expansion and other, so that is at the thinking process, which is going on, at right time that will be taken to board and then disclosed.

Prakash Diwan: Sir, but what I was trying to understand Mr. Pathak, is whether it makes sense to at some stage look at an overseas plant to be closer to your target centre because you are in India, Europe and US seem to be the big markets it does not make sense that is what I was trying to put it?

C J Pathak: While discussing all our options normally are discussed.

Prakash Diwan: Okay, alright got it. Thank you.

Moderator: Thank you. The next question is from the line of Anshul Shah from Alpha Plus Capital Advisors LLP. Please go ahead.

Anshul Shah: Thank you once again. I had just one question on your industrial base. Sir, can you just give us a little bit of an idea on the shrinks mix that we do and what is that competitive advantage over there vis-à-vis the other guys who are largely commodity players?

C J Pathak: Yes, the competitive advantage in shrink is that this market is growing because the shrink label film polyester shrinks if you apply on the pet bottle, because pet bottle demand is increasing day by day and if the same label is used it can be recycled along with the bottle when the bottle is recycled. Otherwise, other labels there are one process of removal of the labels and otherwise if the same get processed the chips or raw material gets contaminated that goes into the main product. So, it is always hygienic also and it is recommended to use with shrink level along with the pet bottle. Why we are different that we are using our own raw material and that is why we are different even other



manufacturers of shrink film they do not their facility of raw material, they have to buy the raw material and there are only few companies in the world making raw material purchasing.

Anshul Shah: Thank you so much. A quick follow up on that, with the thrust on ESV and do you find a lot of companies shifting to this kind of shrink plates, do you see a good growth coming in from this sector as well?

C J Pathak: Shifting is we have converted our line for this purpose. I do not think the other manufacturers will shift to this because the manufacturing model is different; they have large and high-speed lines whereas this product requires a slow processing. So, considering the technicality I do not think that the shrink manufacturers may press for this.

Anshul Shah: I meant it from the customers side, means our customers side, would they insist on films be made using this technology because it is more environmentally sustainable?

C J Pathak: Yes. This is more environment friendly, and this is also we are using almost 30% recycled material in this, so which is in demand from the overseas Western World so that all we are following.

Anshul Shah: So, do we charge a slight neon over the other guys because we are more sustainable, is that true?

C J Pathak: At present, we do not charge any premium but going forward yes, we might do that, but at present we are not charging any premium for them.

Anshul Shah: Okay, one last quick question. The new capacity that we are putting is for the window films, while for windows that we have run.

C J Pathak: Yes, that is our window film.

Anshul Shah: I think my colleague did ask, I just wanted a clarification, can we also use that for PPF the film?

C J Pathak: The facilities are interchangeable, so even that facility we can manufacture other products like PPF or safety films, that will have that facility.

Anshul Shah: Thank you so much for your time, Sir.

Moderator: Thank you. The next question is from the line of Prakash Diwan from Altamont Capital Partners. Please go ahead.

Prakash Diwan: Thanks so much. So, just a quick question that came to mind and I missed out earlier, I remember some time back you had mentioned about one of your applications being used in the solar sheets, these products related to solar panels. Is that still a big market and in case India starts becoming a big



centre for manufacturing of these PV cells and panels after what Reliance has announced does that change the move of the needle too much in terms of that new segment?

C J Pathak: No, certainly the solar panel manufacturing and the back shift for solar panel is a very big business and very big market. But since there is import from China which means that ridiculously low price. No domestic industry can compete with them and that is why we do not prefer that to manufacture the solar back sheet and cells.

Prakash Diwan: Yes, but once there is a little bit of localization element on some of these components even otherwise solar panels have been Chinese driven in terms of supplies but let us say the ecosystem starts catering to local demands and you also sell things like hermetically sealed motor films to China, so there could be possibilities of these existing verticals which relatively small but can grow exponentially over the next few years and things look up?

C J Pathak: That market is growing but very thin margins are there. Market is definitely growing exponentially but because government feels that local domestic industry means photovoltaic industry may not be able to generate that kind of production which is required by the country for targeting, because they have some target, government has some target in mind whereas with Chinese import open and still there is no adequate duties to safeguard the domestic industry. We got disconnected, but we are there, any more questions.

Prakash Diwan: No, thank you. My question was well answered. Thank you so much.

Moderator: Thank you. The next question is from the line of Anshul Shah from Alpha Plus Capital Advisors LLP. Please go ahead.

Anshul Shah: Sir, one last question. I think we give some processing charges to our related party; can you elaborate on that; I mean though it is a small component I just wanted to understand why we do that?

C J Pathak: We do it because there is certain component of secrecy involved which we cannot get processed outside. The facilities established during the bad times when the GPN which was the bad times could not establish the facility that time they have established the facility and that processing is done at the arms length pricing.

Anshul Shah: Okay, so do we have any plans to like kind of amalgamate that entity with us?

C J Pathak: No.

Anshul Shah: Okay, fair enough. That would be all from my side. Thank you so much.



Garware Hi-Tech Films Limited
June 29, 2021

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Sneh Kumar Purohit, for closing comments.

Sneh Kumar Purohit: Thanks for participating on the call. I request C. J. Pathak Sir, for the closing remarks.

C J Pathak: Thank you very much for those who have attended this call and thanks for showing interest in the organization. We will try to continue better and complete all the expansions which are announced on time. Thank you very much.

Moderator: Thank you. On behalf of Garware Hi-Tech Films Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.