

19th November, 2021

The Compliance Manager
BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400 001

Scrip Code: 500655

Subject: Transcript of earnings call on financial results for the quarter ended 30th September, 2021

Dear Sir/Madam,

This has reference to our letter dated 9th November, 2021, intimating you about the earnings call on financial results for the quarter ended 30th September, 2021, held on Friday, November 12, 2021 at 05:30 p.m. IST.

Please find attached herewith the transcript of the aforesaid earnings 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.



**“Garware Hi-Tech Films Limited Q2 & H1 FY22
Earnings Conference Call”**

November 12, 2021



**MANAGEMENT: MR. C J PATHAK – WHOLE TIME DIRECTOR
MR. PRADEEP MEHTA – CFO
MR. S. KRISHNAN – DIRECTOR (SALES)
MR. H. S. NAIR – PRESIDENT (CORPORATE AFFAIRS)
MR. D. G. JOSHI – DIRECTOR (COMMERCIAL)
MR. VARUN KRISHNAN – VICE PRESIDENT (BUSINESS
DEVELOPMENT)**

**MODERATOR: MR. NIKHIL MEHTA – BLUE LOTUS
COMMUNICATIONS
MR. N. CHANDRAMOULI – CEO, LOTUS
COMMUNICATIONS**

Moderator: Ladies and gentlemen, Good Day and welcome to the Garware Hi-Tech Films Limited Q2 & H1 FY22 Earnings Conference Call. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Nikhil Mehta from Blue Lotus Communications. Thank you and over to you, Sir.

Nikhil Mehta: Thank you Lizann. Good evening everyone and a warm welcome to you all. I am Nikhil Mehta from Blue Lotus Communications. We represent the Investor Relations for Garware Hi-Tech Films Ltd. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings call maybe forward looking in nature. Such statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumption made on the information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and to discuss the period under review.

I would now like to introduce you to the company's management participating in today's call. We have with us Mr. C J Pathak – Whole Time Director of the company, Mr. Pradeep Mehta – CFO, Mr. S. Krishnan – Director (Sales), Mr. H. S. Nair – President (Corporate Affairs), Mr. D. G. Joshi – Director (Commercial), Mr. Varun Krishnan – Vice President (Business Development) and Mr. N. Chandramouli – CEO of the Lotus Communications. We shall start with the management observations and overview of company's performance in the second quarter and half year gone by. Post which we shall switch over to the question-and-answer session. Thank you everyone and over to you Mr. Pathak.

C J Pathak: Thank you Nikhil. Good evening, ladies and gentlemen. And welcome to the Q2 H1 Financial Year 22 Earnings Call. I hope all of you are keeping safe and healthy.

Yesterday we reported our Q2 and H1 FY22 Earnings. Let me take you through some of the highlights and business developments. I would like to start with 6 monthly financial result which ended on a good note. Garware Hi-Tech achieved its highest ever 6 monthly consolidated revenue of 645 crores that is 54% increase over the revenue of similar period of previous year which was 418 crores and earned PBT of Rs. 111.97 crores as against 79.18 crores for the similar period of previous year.

The decisions made by the management for last few years has started giving results. The strategic scalable initiatives, capacity enhancements, upgradation of existing capacities have all provided a route to superior quality of our products and their increased demand worldwide. The driving force behind all of our strategies is to deliver the best quality products to our customers. With

75% of our sales coming from exports we remain committed to the highest level of quality and consistency.

I would also like to brief you about the logistic disruption prevailed all over the world for last two quarters, that there was a shortage of containers and because of lacs of containers stranded for clearance at various US seaports and China seaports. Over and above that, there was shortage of drivers for trailers in Europe, in USA and that has fueled these shortages. Also, the adverse relations between the countries like China and USA also fuel this shortage. So, that has resulted in increasing the cost and it has gone so haywire that the cost of sea trade from India to different destinations like for USA, has increased by almost five times, Europe it has increased by three times, Far East four times, Middle East by three times, Latin America by five times and over and above that many shipping lines they have reduced the quantity for some of the countries. So, in such situation also we could continue operating at 100% capacity utilization of all our plants, we catered to all our customers all over the world as we export to about 88 countries all over the world. Recent visit of our Sales Director, Mr. Krishnan who will brief you afterwards, who has attended the SEMA Show which is one of the largest show in USA at Las Vegas where he had meetings with all our customers and distributors. They were so happy that in such an adverse condition we could supply the best quality at best price and at on-time delivery.

On the CAPEX part I would like to mention that as we are investing in the new lamination coating line - the civil work is nearing completion and most of the orders for the machines are already placed and first consignment of the machines is already shipped which is on the way. So, we should be able to start the production as scheduled during the first quarter and we will get the results of that in the next year.

CSR activities - Our company and its promoters have been in forefront of India's fight against COVID. We have developed a COVID care center at Chikalthana MIDC, Aurangabad with a capacity of 125 oxygen beds and handed it over to the Aurangabad Disaster Management Authority. Few other business and CSR developments have been highlighted in the press release. Now I request Mr. Pradeep Mehta – CFO to share the financial highlights. Thank you.

Pradeep Mehta:

Thank you sir. Good evening all. I shall be sharing a brief overview of company's financial during the quarter and half year gone by. Half yearly consolidated income has expanded by 56% to Rs. 662 crores and PBDT has grown by 39% to 126 crores. Company's net profit in H1 has risen by 54% to 79 crores with EPS of 34.08. On consolidated basis of Q2 FY22 the company registered total income of 349 crore with an increase of 39% over Q2 FY21. PBDT that is profit before depreciation and tax remained stable at 64 crores while net profit improved by 15% to 43 crores and earning per share for shareholders came in at 18.65

I would also like to share some additional financial and business matrix for your consideration. Export contributed 78% to sales in H1 FY22 an increment of 50% on year-on-year though last year it was a COVID period. Value-added films contributed 79% to sales compared to 76% in whole of FY21. Company's improved financial performance is reflected in our return ratios also.

At the end of half year FY22 we have achieved return on equity of 18.17% and return on capital employed of 23.64%. These are adjusted with revaluation reserve and annualized. Thank you all and with this we can now open the floor to the question & answer session.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Sudheer Bheda from Right Time. Please go ahead.

Sudheer Bheda: There is a substantial reduction in the EBITDA margin year-to-year is almost 700-800 basis points reduction and QoQ also it is almost 300 point reduction, but nowhere in the presentation or commentary it is mentioned that there is a huge reduction in the margin and reason for that. So surprisingly it has not been mentioned so, I would like to know apart from the freight costs what are the other factors which led to this kind of erosion in the margins. Even the gross margins have also come down so that is my first question and second question will there be any improvement in the margins going forward as we are entering in the seasonally good period.

C J Pathak: The margins as you said has certainly reduced because the raw materials, particular the base fuel which is crude oil which is the base for pricing of PTA & MEG which are the main products. Crude oil has risen from \$40 per barrel to now it is 82-83 dollar per barrel, so there is a straight jump of crude oil and that has impacted the prices of PTA (pure terephthalic) and MEG which are derived products from crude and that is one of the main reasons. Second reason is Fuel oil which is also crude based that is also because of crude has gone up that has gone up. Third, is the freight which I just now mentioned there was a disruption because of the container availability. So, these are the three things which have gone up. As I mentioned the last time also and this time also, I am mentioning that we recover this whenever there is increase in the costs that is recovered but, this increase is so rampant everyday there is an increase so, to recover this increase they take some time and there is a lag because we are exporting largely, about 75% is exports. We have two business segments, the consumer product division and industrial product division. Consumer production division we could recover 100% cost escalation, industrial products division partially we have recovered and we are in the process of recovery. Going forward it will be recovered.

Sudheer Bheda: So, we expect the improvement in the margin in the current quarter as well?

C J Pathak: Certainly.

Sudheer Bheda: And sir what is the volume growth do you expect going forward as we enter the seasonally good period in the second half. Volume growth if you can throw color on it, what was the volume growth in Q2 and what could be the volume growth going forward?

C J Pathak: As I mentioned that we are utilizing 100% capacity for the plants and in the same fashion I think we should be able to do that.

Sudheer Bheda: So, we do not expect much volume growth unless the new capacities are available?

- C J Pathak:** We are utilizing the new capacity and the new lamination which is coming in force from next year April onwards that will get added next year. The existing capacity we are using fully.
- Sudheer Bheda:** And sir my last question is about the land. So, the land at Mumbai near Vile Parle is it an industrial land or it has been converted into residential kind of thing?
- C J Pathak:** It was an industrial land and it is being converted to commercial.
- Moderator:** Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.
- Nisarg Vakharia:** Just to repeat the point on the gross margins, over the last four quarters our gross margins have gone from 68% to 56% today and this is the lowest gross margin that the company is at over the last maybe 10 quarters or so. Now the fundamental question that we have is that if we are a branded business last quarter or one quarter before that we had discussed that we have taken a price hike which is commensurate to the price increase and our margins will come back, so have we enjoyed elevated margins at 24-25% because the crude was depressed and does it mean that structurally our margins will be at 17-18% when the crude is at this level that is my first question.
- C J Pathak:** Certainly, when the crude was low, because we are in different business segments and as I even mentioned last time also that there are some contractual businesses where the contracts are renewed. On the renewal of the contracts which is normally done at the end of the year, it is with the European segment it is normally calendar year which is followed from January to December in Europe and also in the US. But, we have rather utilized force majeure and renewed some of the price increase and we got the price increase. But as I said there is a lag because we are in export business and we recover that. So, margins will definitely go up.
- Nisarg Vakharia:** So, does it mean the margin has bottomed out at this level sir?
- C J Pathak:** We do not expect margin to go below this.
- Nisarg Vakharia:** And the price increase is commensurate enough for the margins to start going up in the next couple of quarters?
- C J Pathak:** Absolutely.
- Nisarg Vakharia:** So, basically 18-19% is the worst-case EBITDA margin that our company can do with the kind of product profile we have?
- C J Pathak:** Yeah.

- Nisarg Vakharia:** Now my second question is that obviously there has been a significant top line growth so the top line growth is a function of the fact that the raw material prices have gone up or is it volume growth that has ramped up in the several categories that we sell in?
- C J Pathak:** This is combination of both; one is price rise and second is the additional production.
- Nisarg Vakharia:** Can you quantify that difference between the two?
- C J Pathak:** Immediately I may not be able to give that, but that has come from both.
- Nisarg Vakharia:** But volume growth would be handy with you so that is like basic data. What is the volume growth that we have seen YoY?
- Pradeep Mehta:** Volume is again as explained by Mr. Pathak on capacity utilization which is almost 100% and we have different capacities in square feet and metric tons. So, that is there you cannot have a one single number, but maximum the raw material price increase has also boosted up the price. So, if you want to see which one is leading so that price increase is reason for the turnover growth.
- Nisarg Vakharia:** And couple of quarters back we had disclosed our ramp up in the paint protection business and we had said that it is not meaningful contribution yet, so what is the development on the paint protection film business, is it meaningfully contributing now to our top line and bottom line or not yet?
- C J Pathak:** That is in the process. We will say meaningful when we fill up the entire capacity for that purpose because the capacity is fungible, we are taking different products on the line and there is a significant increase in the volume of PPF. It is getting very well accepted all over the world. We have sampled out, samples are getting approved and, in the SEMA show which Mr. Krishnan will elaborate on that there we have kept the demo, we had kept a car and lot of people visited. Around 1,000 of people visited they have taken the demo and they have done it by their own hands and they are more satisfied so that will improve absolutely.
- Nisarg Vakharia:** And any indication on you can give on the absolute top line that the paint protection business is doing today from our initial conversations I remember that the ultimate potential of the pain protection business was 4-to-5-time asset turnover on a 60 crore CAPEX. So has it reached like a 70-80-100 crore revenue run rate yet per annum or it is still to reach that run rate?
- C J Pathak:** No segmental details I may not share, but as we projected that by the end of 23 it will add to the top line 300 crores which we are quite hopeful that we will do that. We are on the right path and exactly as we had planned and Budgeted.
- Nisarg Vakharia:** And sir one last small question typically with consumer companies what happens is that when the raw material falls and collapses the margins are not also passed back in a hurry, so whenever

crude prices correct in a sharp fall you will enjoy the extraordinary margins for an extended period of time or eventually, we have to pass that back to the customers in the US?

C J Pathak: Normally we get some time we get benefit of that when it has been declined normally, we get advantage of that.

Moderator: Thank you. We will move on to the next question from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: Just picking up on the PPF question again, we would like to understand as to why is the management constraining itself from sharing the numbers, means it is a significant project and the growth of the company depends on this particular segment. I mean how would analyst and investor quantify the kind of projections I mean whatever we have made, so one I would like to understand why are we constraining ourselves from giving out the numbers and second if you can qualitatively explain to us the steps that we are taking towards the PPF segment and some on-ground activity that we may have done in the last three, five months?

C J Pathak: Certainly, I will request Mr. Krishnan to enlighten all of you on that. What are the steps taken and how we are progressing? At this point of time since the capacity is being utilized for different products and we are utilizing full capacity we will not disclose that, but all the steps we were taking and as I told you that we are on the right path and we have achieved the numbers whatever is budgeted. Over to Mr. Krishnan.

S. Krishnan: Good Evening Gentlemen and thank you for joining us this evening. First, I would brief you on the SEMA show which we just participated. The show was from the 2nd of November to the 5th of November at Las Vegas. This is the largest show in terms of this business and it is a trade show which is held annually and all leading manufacturers globally participate in this show and this gives an opportunity for us to exhibit our product, display our product, try our product in front of the best audience available which are the Tinters and applicators of both window films and the PPF. So, we had participated this year, our booth size was double then what we normally take in that show and of course there was restriction because of COVID some of the international customers could not travel across, but customers in North America and also some of the other countries did come and view our product, test our product. And we had display of both the window film and the PPF and we had two cars were also kept on which these products could be tried out by the customers. We had two expert tinters, they are industry stalwarts one Mr. Bill Steward. He is an expert and has almost about three decades of experience. He has considered as the best in the industry for PPF. He demonstrated our products and he is of course on contractual basis terms employed with us. He is a trainer for our products in North America and wherever the training requirement is demanded. He has been engaged by us and he demonstrated our product this also covered in the PPF and window film magazine as a breakthrough product and it was captured on video. It is of course being circulated as well in terms of the industry. The show was great success everybody applauded our product, everybody appreciated the product in terms of the ease of application. We also showed them the different aspect in terms

of the scratch-resistance that the product provides, self-healing property that it provides, the hydrophobic property that the PPF film provides. All of those were had demonstrated separately as well in terms of test and test results which were shared with all the customer who came across to our booth. So, all in all it was a great success. Similarly on the window films also similar details were shared by another colleague of ours who is employed called Fred and he is also based out of US. So, he showed to the customers on how to apply and many of the tinters tried their hand as well in terms of product and this was compared with the various other leading companies who were participating against which they found our product to be far superior than many of them available in the market. So, it gave an opportunity to all customers to compare the products, to see the product, to use the product as compared to competition under one roof. They were able to do that and our product did receive good appreciation from the crowd that had gathered in terms of the SEMA show.

Now in terms of the PPF and in what stage we are. PPF as you are aware the mf. plant started production about little over 10 months ago in terms of the supplies. The stages that any product goes through in this business is - we start first giving out samples to customers, after that we start training our customers, parallelly we also do marketing activities in terms of advertisement and promotions, we also do online promotions to customers so, that they are able to get to our distributors or dealers in terms of trying our products and use the same. We have completed all that, we have started receiving regular orders from our distributors from various markets and we have started getting repeat orders as well and month-on-month these numbers are improving as was mentioned and we are quite hopeful we should be able to meet the target that we have committed by 2023 in terms of a full utilization of the PPF line.

Ayush Agarwal:

I have one more question to you sir right now what number of Tinters in our network would be using PPF whether it be global or other than. Second part of the question is how do you plan to convert those tinters who are already using order brands to your brand Global PPF and second tinters who do not use PPF at all how do you plan to ask them to adapt to PPF?

S Krishnan:

So, we have a whole list of tinters who are already wedded to us, wedded meaning who have been using our window films currently I am talking specifically of the US market. Similar situation exists in European markets, Middle East, far east etc. The product in far East in terms of the usage of PPF is very limited. Country-to-country there is a variance in terms of how much interest is there in the PPF. US is one market where most people who buy the car also have the PPF applied, either to a portion of the car. Now you can apply to a restricted portion which is accident prone, so you can do that or you can apply for a full car. So, in US it is quite common practice to do that. In Europe, I would say the percentage is much smaller and again same in the case of Middle East. In far east that percentage is almost insignificant meaning very small usage really on PPF. So, amongst the largest market is US in particular we have a very focused team. We have a set of trainers, what we do is all our tinters who are already in touch with our distribution network we have started giving them samples, we have started training them in terms of usage of our products, started selling to them, conveying to them the superiority of our product

as compared to competition and many of them have started appreciating. Some of which in terms of the training was impacted in the early part of this year because of COVID but, as you are aware now the COVID situation is far under control, is very much under control in most parts of US as also in Europe. So, we are now in a better position to go across to them. So, we get groups of tinters to a particular location where our trainer goes and then he trains them on our product and then also he compares it with competition as a result of which many of them get converted to start using our product. And also, in their PPF magazine which is very well read across the trade and also by all the tinters, we advertise in every issue and we regularly advertise. In addition, as I said we have online promotions, online advertisement of our products, we keep having mailers, we have mail blast. So, several forms of advertising are carried out in terms of promotions of our products.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: Sir, any plans of merger of promoter entity with the listed company?

C J Pathak: Right now, no.

Vivek Gautam: And the land which you hold, will minority shareholders benefit out of it or it will be a hope story only?

C J Pathak: No, I am not understood. If there is a monetisation all shareholders will get benefitted, but company has not come out with any plan on that. Once it is done and that will be approved by the board and that will be known to everyone.

Vivek Gautam: Because actually the track record of Indian promoter to be honest frankly speaking has not been great as far as the land part goes and sharing of the profit with minority shareholders is concerned and that is a big concern and because we have to ponder over it the fact that in spite of good consistent performance and into B2C also foray, our price earning is quite low and there is majorly I believe due to the concerns on the promoter part which we need to be take care of. We have a shining example of Garware Technical Fiber from the same family who took care of this aspect and see the EPS also increasing and price earning is also increasing so, what steps do we have in this regard to take care of the minority shareholders concerns?

C J Pathak: We will study that what they are doing so we will come back on that.

Vivek Gautam: Yes, it is very much required sir unfortunately. Second thing was about, we were saying that the metalizing film technology is a kind of secret and closely guarded secret and we are having a very good say over it, but now the Cosmo Film is also coming out with a major plant expenditure, anything you have to say on that sir?

- C J Pathak:** No, I cannot comment on what cosmos is going to do. So, though they are expanding that much I am aware, but I cannot comment on that.
- Vivek Gautam:** But the pie is big enough for both of us sir in case they commission or it will have some impact on our margins and top line?
- C J Pathak:** The products are difference so I do not think that should impact.
- Vivek Gautam:** And basically the compensation part has also come up after the result that again the compensation has been increased to the promoters substantially you have to say anything on this regard sir?
- C J Pathak:** No, that is after following all the necessary procedure so, I cannot comment on that.
- Vivek Gautam:** We have to ponder over it why our company in spite of giving good such numbers is consistently at a low-price earning. We need to take care of that aspect sir.
- Moderator:** Thank you. We will move on to the next question of Kumar Ashish an Investor. Please go ahead.
- Kumar Ashish:** Previous quarter you had mentioned that you are going to listing on NSE that is the national stock exchange so we have any update on the same?
- Management:** Yes, we have already made an application to NSE and they are in the process of looking through our application. It is a process which is now to be dealt by NSE and we will come to know maybe with their time schedule so it is done our application vis-a-vis what has been said has been done.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from TCIPS. Please go ahead.
- Keshav Garg:** Sir, I wanted to understand in last year third quarter December quarter company did 70 crore of EBITDA, so you think that with the price increases that we have taken that we can match or exceed that number in this third quarter of this year what we did last year?
- C J Pathak:** We certainly do better, but at this point of time to disclose on what is going to happen would be difficult to comment on that, but certainly we are on the right path and certainly it should be better.
- Keshav Garg:** Sir so basically at least can you comment that the third quarter EBITDA should be better than the second quarter at least that much you can expect?
- C J Pathak:** Third quarter we have just passed one and half month. I cannot comment now on the third quarter.

- Keshav Garg:** Also, sir it is a little bit strange that we are operating at full capacity utilization and I also understand that our capacity is fungible. Sir so in that case then why are we taking a hit on the margin. I mean had we been operating at low capacity then it is understandable that we are finding it hard to increase our prices, but despite operating at full capacity I mean why don't we just leave the low margin business and cater to the high margin business and automatically due to the product mix our margins will improve despite the input cost pressure?
- C J Pathak:** You see we are in two different segments that in the consumer product division we have passed on all the cost increase already. Industrial product division that is we are in the process and I told you that it will be passed on. Where it cannot be passed on is the 25% which is the commodity segment. In commodity it is you know if the prices increase, we might get increase, if it is reducing, we have to reduce immediately but, increase we do not get increase many times. So, that is where the company is switching over to all specialty and in specialty there are again where there is a contract, we have used force majeure and got the increase this time because there is a continues increase in the raw material prices. So, it is relating to the industrial products which is not fully passed on, but we are in the process and it will be passed on.
- Keshav Garg:** Sir basically in CPD division are we able to cater to the demand or due to our basic capacity constraint are we finding it hard to cater to the demand of CPD?
- C J Pathak:** In CPD we are catering to the demand of the customers by utilizing the full capacity. We were falling short of capacity so we have increased the capacity and that plant will go in stream in the next year first quarter. So that we are hopeful that it will go on stream as scheduled.
- Keshav Garg:** Sir so basically as of now is there excess demand in CPD that we are not able to supply because we are operating at full capacity?
- C J Pathak:** We will create, because there is always the demand goes on increasing because we have a better product and the demand is always increasing. We do not take orders which we cannot supply. Market is always there; we have to explore that market, we have not been building segment if we install the new plant we will go for building segment also. So, demand is always there in building already all our competitors are there in the architectural segments. So, we will definitely cater to that market in future.
- Keshav Garg:** Since our capacity is fungible why do not you just exit the commodity packaging business and use that capacity in the CPD division?
- C J Pathak:** I think you are not understanding what I am saying these two are different business. Capacity is fungible within that segment, consumer product division yes capacity is fungible, we can make PPF or we can make some single Ply another laminate on that line which gives us better margin we will make that. As the company plans and on the product the company get better margins and the planning is always for that to sell the capacity where company get better margins.

- Moderator:** Thank you. The next question is from the line of Sudheer Bheda from Right Time. Please go ahead.
- Sudheer Bheda:** As you mentioned in my question that industrial land has been converted already, so is it a residential also can be constructed or it is only commercial that can be done there?
- C J Pathak:** Where?
- Sudheer Bheda:** This Parle land, Mumbai?
- C J Pathak:** Parle land is being used for office and that is why it is converted from industrial to commercial.
- Sudheer Bheda:** So, residence cannot be constructed over there?
- C J Pathak:** It is not a residential land and it cannot be done.
- Sudheer Bheda:** It cannot be converted to residential thing?
- C J Pathak:** I am not aware with it can be converted at present there is no requirements so we have not explored that.
- Moderator:** Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.
- Nikhil Agrawal:** Sir do you have any succession plan in place?
- C J Pathak:** Yes, company has a total succession plan in place for all levels.
- Nikhil Agrawal:** Could you tell me about your margins in the IPD and in the CPD business?
- Pradeep Mehta:** Due to competition issue we do not disclose the number for margins.
- Nikhil Agrawal:** But your margins in CPD are higher than IPD?
- Pradeep Mehta:** Yeah, that is a correct assumption.
- Nikhil Agrawal:** Sir, CPD includes sun control films and PPF only?
- C J Pathak:** Sun control is a brand under the consumer product division where we can make films which can be used for building architectural segment, for auto application, for safety application and for paint protection film application and there are some new developments also which will come out like a new development which are taking place we will come out at the right time.

- Nikhil Agrawal:** I wanted to understand like the commodity packaging business is what you are trying to reduce the dependence on that since margins are small or lower on that, is my understanding correct?
- C J Pathak:** Yes certainly. Sir there is a lot of capacity getting built up in that segment though the market is also going up capacity is getting built up that is a different type of business you need a larger plants with higher plant capacities and higher width, higher lanes with good speed so which are different business we do not want to compete there.
- Nikhil Agrawal:** Is this possible like you said your CPD capacities are fungible we cannot shift the production from PPF to Sun control films, so is it possible to shift this reduction from this commodity packaging to PPF as well?
- C J Pathak:** No, because these are two different segments altogether. The plants are different, their raw materials are different, their processes are different. So, these two segments they are totally different, within the segment yes, we can do that.
- Nikhil Agrawal:** So, if you want to reduce the dependence on it, we can shift from producing commodity packaging to shrink labels we can do that?
- C J Pathak:** Right there we can do that.
- Nikhil Agrawal:** Sir, I wanted to understand that the window films is banned in two countries across the world only in two countries that is India and Israel, so do you see any possibility of window films getting banned across anywhere across your major markets or do you see any possibility of India, the Indian government allowing people to use window films going forward. Do you see any of that happening?
- Pradeep Mehta:** Can you repeat the question.
- Nikhil Agrawal:** I think two or three countries across the world have banned window films and India also it is not allowed, sir do you see any possibility of more countries across the world banning it. I know it is hard to predict what governments do but, is there any possibility of that happening. Is it in our government talking about banning it, anything you know about it across your major markets basically?
- CJ Pathak:** You see there are only three countries where there is a ban. One is Pakistan, second is Uganda and third is India. India it was banned on a technical ground with the order of the supreme court that there is no specific mention of use of films for tinting. Now, the government has changed the rule Central Motor Vehicle rule which governs the VLT in the motor cars and that governs the rule for the safety glass used on the car window glasses. So, that is changed recently on 1st of April. They have provided for the safety glazing and on that we are seeking some clarifications which require some kind of testing etc. so we are in the process. We are not expediting because we are or the entire capacity get sold and we do not have immediate spare capacities, but however

we are in the process. We have taken up the with the government, we are taking up necessary steps for that.

Nikhil Agrawal: So, that means India can also be a major market so you are going for it?

C J Pathak: India is a major market for automobiles so definitely we will try for that.

Nikhil Agrawal: And sir anything about banning like most of your products are exported, I mean a major significant portion is exported to the US, so any chance of probability of this happening out there as well I mean banning window films over there?

C J Pathak: Rather US is encouraging. I will give you example of one of the states in US that they have noticed in a study which was conducted in the US. It was noticed in that particular state that the left hand of the car drivers is getting skin irritation or skin issues. So, government has come out and changed the rule that people should use the darker film on the left side window of the car because that side lot of sunlight is coming and because of the UV skin issues are cropping up and just to overcome that tinting issue of dark films they have also advised to put two-side mirrors. You know the government is going to that extent and putting it because it has distinct advantages. There is no disadvantage so most of the developed countries they are in favor of that.

Nikhil Agrawal: Sir just one last question I wanted to understand about this new metallizer installed they are in the PPT so which segment these cater to?

C J Pathak: Metallizer, we are primarily using for the consumer product division and it is a different kind of metalizing. What someone has mentioned just now about the metalizing capacity being increase by Cosmo Films. So, Cosmo Film is into the flexible packaging segment, the technology used for the flexible film which is metalizing and for this solar metalizing is different. At present no one in India is having that kind of technology for solar metalizing which we are having so it is different.

Nikhil Agrawal: Sir just due to capacity enhancement we will lead to better quality or product is my understanding correct?

C J Pathak: I did not understand could not hear you properly.

Nikhil Agrawal: This metallizer the consolidation of the metallizer it may not lead to capacity expansion but, it will lead to better quality of product. Is my understanding correct?

C J Pathak: Absolutely.

Moderator: Thank you. Ladies and gentlemen that was the last question I now hand the conference over to Mr. Pathak for closing comments.



*Garware Hi-Tech Films Limited
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C J Pathak: Thank you ladies and gentlemen for participating in today's earnings call and for your continued interest in Garware Hi-Tech Films Limited. Our IR team will be available for any follow up questions you may have. Wishing everyone a great evening. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Garware Hi-Tech Films Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.