

# Garware Hi-Tech Films Limited

(Formerly known as 'Garware Polyester Limited')

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**June 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 Earnings Call with the Analyst / Investor Meet**

Dear Sir/Madam,

With reference to our letter dated 25<sup>th</sup> May 2021, intimation given about the earnings call with the Analyst / Investor Meet on Thursday, May 27<sup>th</sup> 2021 at 04:00 PM to discuss the financial performance of the Company for the quarter and year ended March 31, 2021.

Please find attached herewith transcript of the aforesaid Earnings Call.

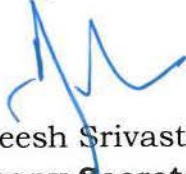
Further, the copy of the same is also uploaded on Company's website.

Kindly take the information 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 above.



REGD. OFFICE : NAIGAON, POST WALUJ, AURANGABAD - 431 133  
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**“Garware Hi-Tech Films Limited  
Q4 FY2021 Earnings Conference Call”**

**May 27, 2021**



**MANAGEMENT:**

**MR. C.J. PATHAK - WHOLE TIME DIRECTOR - GARWARE HI-TECH FILMS LIMITED**

**MR. PRADEEP MEHTA – CHIEF FINANCIAL OFFICER - GARWARE HI-TECH FILMS LIMITED**

**MR. S. KRISHNAN - DIRECTOR (SALES) - GARWARE HI-TECH FILMS LIMITED**

**MR. SRIVASTAVA - COMPANY SECRETARY - GARWARE HI-TECH FILMS LIMITED**

**MR. N. CHANDRAMOULI – CHIEF EXECUTIVE OFFICER - BLUE LOTUS COMMUNICATIONS**



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*May 27, 2021*

**Moderator:** Ladies and gentlemen, good day, and welcome to Garware Hi-Tech Films Limited Q4 FY2021 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 “\*” 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 afternoon everyone and a warm welcome to you all. I am Mr. Snehkumar Purohit from Blue Lotus Communications to represent the Investor Relations of Garware Hi-Tech Films Limited. On behalf of company, I would like to thank you all for participating in company’s earnings conference call for the Financial Year 2021. Garware Hi-Tech Films Limited recently changed its name from Garware Polyester Limited.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today’s concall may be forward-looking in nature. Such forward-looking 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 assumptions made by information currently available to the management. Audiences are cautioned not to place any undue reliance on this forward-looking statement in making any investment decision. The purpose of today’s earnings conference call is probably 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 management participating with us in today’s earnings call. We have with us Mr. C.J. Pathak, Whole Time Director, Mr. Pradeep Mehta, CFO, Mr. Krishnan, Director (Sales), Mr. Srivastava, Company Secretary, and Mr. N. Chandramouli, CEO, Blue Lotus Communications. We are going to start with an overview of the company’s performance for Q4 FY2020-FY2021. With that we can switch to the session. Thank you and over to you, Pathak, Sir!

**C.J. Pathak:** Thank you very much, Sneh. Good afternoon everyone. I am C.J. Pathak, the Whole Time Director at Garware Hi-Tech Films Limited. It is our pleasure to welcome you to the Q4 and Financial Year 2021 earnings conference call of Garware Hi-Tech Films Limited.

I hope all of you are keeping safe and healthy. At the outset, let me share with you that as per the suggestions received from the investors and shareholders, the company had changed its name, which will now truly reflect the business operations. I am delighted to report that we have had another healthy annual performance with the second highest performance in the history of the company and delivered a consistent year of strong bottomline growth.



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Company witnessed a healthy demand across most products. The capex incurred in the year 2021, the company has commissioned PPF film plant and made operational in December 2020 having versatility to manufacture multiple value added products and the PPF plant is very well-established and the products are seeing very good acceptance from an international market. We have received a metallizer, which is under installation and ready to start commercial production in June quarter financial year 2022. On the ongoing capex plans, I am pleased to inform that GHFL has decided to go for capacity expansion of additional new lamination window film line for manufacturing window film production.

As the existing capacity utilization has reached 100% utilization in the last quarter of year 2020-2021, new capacity will be operational in the first quarter of the next financial year that is April 2022. This will add about 300 Crores at topline in two years' time, 2024. In financial year 2021, GHFL received a Silver Medal in the India Green Manufacturing Event conducted by the Institute of IRIM. The company has developed PCR shrink film and we have dispatched our first commercial consignment of PCR shrink film to Europe. We have developed a facility towards recycle pet bottle crush in our polymerization plant to increase the PCR content in our product.

On the social front, we have carried out many activities like we had provided our Garware Community Center, which we run at Aurangabad for conducting the vaccination program and we are building full-fledged COVID Quarantine and Health Center at Aurangabad with 150-bed facility with an oxygen plant attached to it of 500 lpm capacity, which will be a very well equipped center along with the ambulance and the tie-up with hospitals, but this will be donated to the Aurangabad Municipal Corporation to run the center.

We will see in addition to this given certain donations of Philips Ventilators, certain concentrators also, from our side. We manufacture the face shield and PPE kits which are given to various hospitals for frontline workers, the shield are given to the Mumbai police and all the police. Now I request, Mr. Pradeep Mehta, CFO to give the financial highlights. Thank you.

**Pradeep Mehta:**

Thank you, Sir. Good afternoon all. On consolidated basis for Q4 March 2021 versus Q4 March 2020, revenue from operation was up 30.4% to Rs.287.74 Crores. Profit after tax was up 50.9% to Rs.31.8 Crores, EBITDA margin decreased from 20.8% to 20.2%. On consolidated basis for FY2021, the company registered total revenue of 1004.67 Crores is up by 7.3% on Y-o-Y basis. Profit after tax was at Rs.125.95 Crores up 46.4%. EPS of Rs.54.21 up by 46.4%. Exports contributed 74.3% to sale and valued added films contributed 76% to sale, EBITDA margin increased from 18.8% in FY2020 to 23.6% in FY2021.

Net profit margin improved by 340-basis point from 9.3% in FY2020 to 12.7% in FY2021. The debt to equity ratio stood at 0.07 times for FY2021. We would also like to add that the company improved for performance has been reflected by the return ratio that ROCE is 22.72%, adjusted for



remuneration reserve and return on equity stands at 15.75% adjusted for remuneration reserve. Also the company has achieved a net profit margin of 11.05% in the last quarter on consolidated basis.

Thank you all. With this, we can now open the floor to the question and answer session.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin for the question and answer session. The first question is from the line of Sudhir Bheda from Right Time Consultancy Services. Please go ahead.

**Sudhir Bheda:** Good afternoon, Sir and congratulations on strong set of cash flows and profit. Just two questions, one is your Q-on-Q margins have come down and is there any seasonality involved because most of your products are exported more than 75% in December being the good quarter, so is there any seasonality or some raw material cost escalation impact is there, Q-on-Q basis?

**C.J. Pathak:** Yes, there is some seasonality; however, we are utilizing the 100% capacity and though the raw material costs has gone up that is passed on to the customers, but for export it will take sometime for passing it on, so that will be passed on.

**Sudhir Bheda:** In current quarter margin will be again back to Q4 level or Q3 level?

**C.J. Pathak:** Yes, should be.

**Sudhir Bheda:** How do you see the current year because in overseas market, there are strong demands of all the products, so what kind of growth do you foresee in FY2022?

**C.J. Pathak:** As I said in the beginning that we are operating at 100% capacity utilization and we have also already announced expansion of the capacity for the window film so we are seeing a robust demand in future also.

**Sudhir Bheda:** Any growth number in FY2022, which you can share?

**Pradeep Mehta:** Mr. Bheda, it will be a little premature for us to share that, as you will understand surely.

**Sudhir Bheda:** One more question, Sir, is there any land bank the company has, if you can quantify it?

**C.J. Pathak:** Yes, land bank is there. We have a land bank. As and when because we have not yet decided anything on that and the board will decide, it will definitely be disclosed at appropriate time.

**Sudhir Bheda:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sahil Sharma an Individual Investor. Please go ahead.



**Sahil Sharma:** Congrats on a good set of results. If we look at your past annual reports we can see that R&D spends have been around 1.5 Crores to 1.8 Crores range for the last few years. I understand that based on our R&D we have a very differentiated and value added set of products and that will be a commodity producer, what I am trying to understand is that is it not possible for our competitors to spend a similar amount of capital, which also looks somewhat small compared to ours or their topline and then even compete us from the in the global market, they are of the same set of technologies that we have developed?

**C.J. Pathak:** This is actually a technology, which is developed over the years and whatever the R&D activities we have is not a basic research, but it is supplemented to the products of application, performance improvement or some addition, which is required by the customers, so that all is done, so what is your question that about the competition you are asking something?

**Sahil Sharma:** Sir, basically what I am saying is company has been saying that we are making value added products, which I understand, but if we look at competitors they are making very commoditized products, but still if we look at R&D spends, yes, they are so much small like may be 2 Crores every year, right, so what I am wondering is, it is not possible that some of our competitors also do their own R&D and they have developed the same technology that we have, for example, we are able to buy the films and even those technologies that we got is it not possible that our competitors can also develop those technology by doing the small R&D spends that we are doing, given 1.5 Crores or 1.8 Crores every year?

**N. Chandramouli:** Mr. Sharma, if I may just add to the participant's question. This is not just money spent. It is the increased spent and which Mr. Pathak also said has been done over the years, there are two or three distinct advantages that Garware Hi-Tech Films has; one being the fact that they are chip to films manufacturer, which is an end-to-end manufacturing, which a very few organizations in the world have, that is the first advantage, which allows you to manipulate a polymer very conservatively, which gives us the unique properties that you so desire, it is not possible for anybody to pickup polymer films and then make into something that we are probably able to do that is number one. Number two, the chemistry which is there is a lab based chemistry so you have to do it in the lab and then will be able to scale it up into a large scale manufacturing with higher efficiency. So the lab scale efficiency is about tinkering out the polymerization process and being able to get in the right products out, so that tinkering is a very sensitive tinkering, which does not require very heavy spends even though we have been doing it consistently over the years, even if other trying be difficult for them to achieve, I think that one and Mr. Pathak would you share to anything here.

**C.J. Pathak:** Yes, because, as you rightly said, we have the facilities rights of chips to films to metalize to lamination, coating, etc., and all these facilities are having all kinds of requirement, attachment, which is needed from interior of product, exclusive product, so one is the capital investment, which is done over the years, second is the technology and proficiency developed over the years, which I do not



think these cannot be copied immediately. We had successfully developed because we wanted to be in niche market and from that angle we have planned everything right from the investment, plant and machinery and processes everything is designed even the polymer, which is required also you know is designed polymer and that is why it is different than what our competition is. Their market, their targets are totally different than what we have. So I think these are two distant different things that what we and our competition has and not related to above spends.

**Sahil Sharma:** I see and I think the primary answer is if you take many years to develop this even if they have the capacity?

**C.J. Pathak:** Correct.

**Sahil Sharma:** Thanks a lot that clarifies. Second question is that I did study some of your global competitors for example, in the US market we have expanded in Ceramic Pro and if you look at them and specifically they are in some segments where we hear they are fairly soft for example, expanded \$7 million in window films in Q1 FY2021 looking at like the American the Q1 or Q4, so if you analyze this is roughly 200 Crores run rate and they are achieving the strong zero sales roughly three years ago, so I have been very curious we have not been able to growth from zero to 200 in three years, so what I can understand this is because they have a very interesting supply chain, they are able to make large tinters into to the franchise partners who are explainable to be able to do that so understanding is that branding plays a very important basically role for expand and now just if you look Ceramic Pro that another of our competitors in US and they are also entering the window film and PPF margins and expected to be a major chunk of the business going forward, so it appears like competitive intensity is increasing in the US market at least, you know Ceramic Pro and we expect both side is growing fast and entering into the markets that we compete in, which is window film and PPF, so what I understand is definitely a very excellent manufacturing company, but what I wanted to understand is especially on the marketing and brand building side, what kind of initiatives we are taking so that we are able to successfully compete against Ceramic Pro in exports?

**C.J. Pathak:** Certainly, I think I will suggest Mr. Krishnan to take on this question and respond.

**Krishnan S:** Thank you for the question and just to brief you our largest market is United States and we are the third largest brand, which sells in that market along with behind 3M and Llumar, which are the other large competitors and as per the statics and details that we have as compared to XPEL we are several times larger than them in the US market itself. XPEL again is a brand and their main product is PPF, they are a software company and they sell the Paint Protection Film, as you are aware we had just entered that market and the window film is a much smaller component of their total turnover and we have been working on our brand, we have been there in the US market for about 20 years and as I said we are third largest brand in that country, we have a network of about little over 4000 tinters who are connected to us. These tinters are wedded to us and use our product continuously and that is the





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network we sell our product to network of about five large distributors covering all the 52 states in United States and we have full-fledged marketing plan, regularly advertising in various trade magazines and also the tinter magazines, various promotional activities that we continuously have in that market, all of that had created a huge pull for our product. Just to give you an idea during the last year, our sales have substantially jumped in that market in fact the biggest jump has happened in the US market for us during the last financial year.

**Sahil Sharma:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Kashyap Kartik from Triple Tree Capital Partners. Please go ahead.

**Kashyap Kartik:** Thank you for the opportunity. Sir, a couple of questions; the first question is if you could elaborate on our Paint Protection Film business has progressed over the last 6 months especially if you could touch upon we have been doing a lot of study and research on the US market like the way we understand US market in the Paint Protection Films especially is XPEL and 3M kind of are the top line covering Tesla, Mercedes and BMWs and Llumar and Sunteck are in the middle segment, which is Fords, Chevrolet, and Hondas, so if you could tell us, a) if we target the B2C segment and if you are targeting B2C segment, which customer segment, these are the grocery shopping people or the top end people that we target in Paint Protection segments and b) do we supply a contract manufacturing to some of these players as well and what percentage of revenues if it is that in Paint Protection especially?

**Krishnan S:** In the US market, as you are aware we entered the Paint Protection business just in the last quarter after the plant was commissioned. We are distributing our product through a network of 5 distributors as I mentioned and we also have the same tinters who do the window film also do the paint protection, so we are in terms of developing the business through them and they have been using our products, we are conducting training programs, application program for our product, we have been advertising our product into the markets, it has been as of now fairly well received, the reports have been pretty good and we sell it under a brand called Global, which is the brand we also sell the widow films so the acceptance of the product has been good. The names that you mentioned of XPEL and 3M have been in the market for almost a decade or so and we have just recent entrants a couple of months, so it will take us sometime, but the initial response has been extremely good.

**Kashyap Kartik:** Got it. Is this is completely B2C and we do not supply any contract manufacturing to any of these players just to confirm that?

**Krishnan S:** As of now no, but there could be opportunities, when we do it probably we will come back at that point of time.





**Kashyap Kartik:** Got it. The second question that I have continuing on Paint Protection Film, it is a Paint Protection Film as a customer, he is spending about \$2000 to \$3000 per car for an XPEL or 3M so what is our offering per car in the market and traditionally we are in window films, which is about \$200 to \$300 per car so far the same customer to purchase the \$2000 to \$3000 is a substantial difference, so from our learning perspective, from a size perspective if you could just tell us per car how much would it cost for the Paint Protection and how are we dealing with the same tinters selling a \$200 products, which we have been selling for years and suddenly he is going to sell a \$2000 product, which obviously requires the difference selling skill set?

**Krishnan S:** Firstly, the window film, we sell the window films to the high end products and our window films cater to the top segment the Maersks, the BMWs and the premium cars and we make exclusive product for that category of customers, number one. The window film prices are also not as cheap as you mentioned or as low price as you mentioned, they are far higher than that number one. Number two, the cost of the Paint Protection for an entire car meaning bumper to bumper if you were to cover it, it is somewhere in the region of \$1400 to \$1500 or so roughly, number one. Number two is people do not use Paint Protection for the entire car, they only use it for the ascender, for the bumpers, for the outer rear view mirrors, so selective portions of the car, some of them spend somewhere between \$500 and \$700, some of them go \$1000, very rare you will somebody covering the entire car with the Paint Protection Film so the price difference is not so high from what you see on the window film to the Paint Protection, it is not \$200 to \$2000, it is somewhere in the region of \$400, \$500 going to \$700 to \$800 and also as I explained to you the same tinter who does this also the window film, also does the Paint Protection and he is already exposed to our brand and our brand sells because of the quality, our quality in terms of the market response is the best available in United States and that is the acknowledge fact by the tinter community.

**Kashyap Kartik:** Fantastic, Sir. If I can squeeze one last question, just continuing on paint protection. The major selling point apart from quality of the product again for the players in the market, XPEL, Llumar, 3M and Sunteck are the designs and designed patterns, which are fairly critical. I am sure XPEL has DAP software which they sell as add on so in terms of our IP, we have just started in the market, but any thoughts on strategy around how we plan to build that library and database of the design and design pattern, which are extremely critical for a successful of Paint Protection over the next year or so?

**Krishnan S:** We have already developed that. We have already had a tie-up in terms of the software to support the application of the Paint Protection Film. Also for our window film it is available. We already have that and we are already marketing that as well along with our product. We have just started that since the last couple of months.

**Kashyap Kartik:** Got it, Sir. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Archit from FinStep. Please go ahead.



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**Archit:** Thank you for the opportunity and congratulations on a good year. Sir, first I had suggestion. I noted the company, please pardon my ignorance. When I look at the annual report I see a huge cost of Rs.25 Crores to Rs.30 Crores in the Film Processing charges that we pay to a related party Garware Industries Limited. As I understand this payment is because of the Tech that Garware Polymer holds. I do not see that as a corporate governance issue, the similar basis the MCA website and download the financials of Garware Industries. I notice that 90% of the revenues comes from Garware Hi-Tech and rest of 70% of creating margins. So I just have a request to Garware family and especially to Mr. S.B Garware whom I have huge respect for and using for his own benefits as he holds less than 60% of the company and for the benefit of the minority shareholders if he translate these shares to Garware Hi-Tech and huge cost specific. If you look at the propensity value of this 50 Crores payment then it is close to 400 Crores; however, if this processing charge goes away and certain that our market capital increase that this much in three years' time, it is a humble request and please strongly consider this and I would sincerely like to convey my respect to Mr. S.B. Garware. Coming to my question, my first question is that as you see than the sun control business has scaled up significantly over the years; it is around 350 Crores in FY2020, which by the end of FY2021 was 450 Crores; firstly I would like to understand the geographical breakup of our sun control business and secondly I would like to understand the share of branded sun control business versus unbranded sun control films and as a followup if you could please also tell the margins for the branded sun control films is the same as the margins for the non-branded sun control films? Thank you.

**Krishnan S:** In terms of the market, in our presentation we have given you a breakup of course a follow up products, but just to give you an idea, we are largest market in the world is United States, and followed by Europe, followed by Middle East, Far East and then of course South America, and as I said we sell in about 8 countries across the globe. The sun control business has been growing and the growth has been very good since the last two to three years and as was mentioned by our CEO, it is for that reason that we have announced an expansion later this year in terms of the sun control products. In terms of branded and non-branded, we sell both the products, the margins are no different in terms of the branded and the non-branded, predominantly we cannot give a percentage how much branded and how much non-branded, but predominantly our sale is our branded products.

**Archit:** Thank you, Sir. Also about the margins that come from branded and non-branded, could you please tell us the difference and by how much?

**Krishnan S:** There is no difference. As I explained to you branded and non-branded, there is a small difference. It is quite insignificant per se.

**Archit:** Sir, just to rectify the geographical say that you mentioned the countries that you mentioned that is specifically for sun control business?



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**Krishnan S:** No, it is for both our products, sun control and our polyester film business that we sell, but as I said by and large, the larger market for us is United States followed by Europe, followed by Far East, Middle East and South America.

**Archit:** Sir, would it be possible for you the release the percentages?

**Krishnan S:** No, it would not be appropriate because this is information if it goes into a public domain obviously the competition also benefits, we would not want to share that.

**Archit:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics Private Limited. Please go ahead.

**Ayush Agarwal:** Thanks for the opportunities and congratulations on a good set of numbers. Sir, my first question is that it is my understanding that out of the five distributors that we have, two also have their brand where we do the wide cable for them and they sell under their own brand and please correct me if my understanding is incorrect, my question is what is the incentive for the distributors to push our global brand ahead of their own brand since they act as a key marketing agency, like have you given them some kind of structured arrangements where they make probably better margins as they sell more global brands or what is the arrangement like if you can throw some light and it would be really helpful?

**Krishnan S:** We promote only the global brands. We do not promote any other brand and all advertising, all our tinter contact program, all our quality assurance, all support on training that we do, marketing that we do everything is on the global brand. They do sell in a localized manner, a very small volume in their private brand, now in fact the private brand was existing even before our brand started into the market, so it just continue for the sake of continuity and sake of the contact that they have in the market, they continue with their old brands and that is a much smaller portion of their business.

**Ayush Agarwal:** But what would encourage them to push the brand global and not their own brand it is my whole question here?

**Krishnan S:** The key thing is the customer comes and demands the brand at the counter and what they at times is there are several cheap brands available in the market, cheap meaning low price brands manufactured but I do not want to specifically name the country, you are aware of it, so they sell into the market sometime, so in order to ensure that he does not lose the customers he sells the product of his brand the support himself.



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**Ayush Agarwal:** Sir, a followup on this would be you know because only our global product, these are the standard own brand, how we would manage the price differential if you are saying that it is mostly to meet the lower cost product?

**Krishnan S:** Even on window film there are different type of products, which cater to different segments of the automotive business as also in terms of the architectural space. So when it is the technology product it is all in the global brand. When it comes to low price product, which is catering to as I said product from some of the other countries that is where they go and sell that product in the market, so when it comes to technology, when it comes to let us say an IR product, etc., the customer is very conscious about the quality and he wants a good product for his car, he is selling for a premium car then all of them usually sell our product only.

**Ayush Agarwal:** That is great to me. Sir, the second question is as you had mentioned that our tinter penetration in the US is as 4000, which is huge, so my question on that is that and as you had mentioned that these tinters are wedded to us, so is it safe to assume that a high percentage of these tinters and if you could probably give the rough numbers, how much percentage of this that the tinter penetration that view only the global brand?

**Krishnan S:** I would say what happens with the tinter community is when he is taking the car in, sometimes the customer already has bought the film, I mean you can buy the film on the net as well in United States, so there is a good percentages who buy in the net, they have already bought the film and if he not bought the film, sometimes he comes and specifies that I want an XPEL or I want 3M product or a Llumar product only and therefore he specifies that in which case the tinter does not push, he says I use Global and this is far better, he tries to do a bit of selling, but he does not want to lose the customer because there is a fair amount of labor that he is going to get, which important to him, but otherwise given a choice he would buy the global from us.

**Ayush Agarwal:** But, in that case like you mentioned that some customers will come and ask for a specific brand, so why would I not use since it is a highly successful why should not I go to the tinter who sells either XPEL or 3M or Llumar what I want to get installed. Do people just walk into Mom & Pop shops and get their car painted or would they actually look for brands and go from there?

**Krishnan S:** No, it is not Mom & Pop shop. These tinters are experts and they are across all the 52 states so therefore there is no particular tinter who only deals with one single brand, they are few of them in each place, but a bulk of it they do all the products by and large.

**N. Chandramouli:** If I am not wrong they would also be the fact that there is proximity to the particular car owner, there are so many other things that matter and nobody travels very large distances for tinting.

**Ayush Agarwal:** Absolutely, correct.



- Moderator:** Thank you. The next question is from the line of Nikhil Chaudhary from Chris Portfolio. Please go ahead.
- Nikhil Chaudhary:** Thank you for the opportunity and congratulations on a great execution for the year. Sir, all my questions have been answered. I just one last question in regards to the Paint Protection Film, so probably the customer question you have already answered. I just wanted to understand is it an export oriented product completely or we will be targeting domestic guys probably in the market or any other player who is willing to enter India, recently there has been talks in respect of a global player an EV player and bring Indian are we contemplating any tie-ups with that player?
- Krishnan S:** We are selling in the domestic market and we have a fairly good share of the market as well even since we have entered Paint Protection Film and we are also trying to tie-up with some of the new entrants like you mentioned, we are talking to them as well in terms of our product.
- Nikhil Chaudhary:** Got it, Sir. Great to hear that and all the best. Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Ravikumar N. Please go ahead.
- Ravikumar N:** You have a good set numbers this quarter as well, congrats on that. My question is regarding the R&D, you have a robust R&D, but I would like to know what is your view for the next five years or so, like what kind of products do you want to bring into the market and what is the process do you follow to get a product from your R&D to the production?
- C.J. Pathak:** Yes, we have team, some of the doctors working, scientist guys and qualified, it is a good team of qualified experienced people to support. They are working on certain new product for the future though which we are also in the process of filing the patent and that will be used, see in each segments industrial product division we are introducing some new products and also in the coming division segment also we are going to introduce some new products, so that is in the offing, and that will be introduced. It is a continuous process and the R&D is working on the product innovation, development, application development, process modification. It is a continuous process.
- Ravikumar N:** Thanks, I would also like to know what I meant by the process is there something like certain margins or the size of opportunity or the kind of value add, what are the things which you look at when you plan to get a product into production?
- C.J. Pathak:** We would like to be in the niche market and niche products, which are Hi-Tech products, which normally people should not copy and vis-à-vis we have that kind of capabilities and we develop such kind of products where we get the better margins by utilizing our capacities because we are not in commodity so we have limited capacity and we try to get the good margin in the products.



- Ravikumar N:** Thanks. That helps and one last question on the PPF, are we looking to get any tie-up with the OEMs going forward is that part of our plan?
- Krishnan S:** Yes, I mean it depends on the opportunity. as it comes as I said we will make those announcements.
- N. Chandramouli:** Also has been stated earlier this is usually not an OEM product because the cost of the car increases tremendously and therefore the OEM does not come to use at that particular point, it happens at the tinter only and not everybody wants the same type of film. Would you like to add Mr. Krishnan?
- Krishnan S:** Yes, that is correct, but what they do is some of the OEMs recommend, usage of a particular brand or product, so we are in touch as I said with some of the OEMs, so as and when we finalize we will make those announcements.
- Ravikumar N:** Thanks, perfect.
- Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.
- Ashish Kacholia:** Good evening to the Garware team and congratulations on a good set of numbers. My question is basically do we sell the global films brand only in the US and the Garware brand in India, is that how it works?
- Krishnan S:** That is correct.
- Ashish Kacholia:** My second question is what is the amount of money that we spent on digital marketing that is online YouTube, Instagram, online influencers, etc., in the US and in India for promoting our brands online?
- Krishnan S:** It is part of our total advertising that we do. We cannot give you a split, but we have in fact in US a person earmarked for this activity and he is supposed to be a global expert in terms of digital marketing as well and he is exclusive, he works for us, and also we have a team and company working for us here in India.
- Ashish Kacholia:** Is it that a substantial chunk of a marketing business because now the whole world is spending advertising dollars on the Internet only now 50% to 60% of all advertising has gone online, so are also spending in the same proportion online?
- Krishnan S:** Yes, you are right, let us say quantum of advertising on the net has increased, yes that is correct.
- Ashish Kacholia:** Are we looking substantially up our spending given that we now launching PPF, Paint Protection Films in the US market, are we going to up this digital marketing investment substantially?



- Krishnan S:** Yes, what we have also done is we have developed up several concepts in the sense we have worked out or developed our digital showroom for our products and people can visit the showroom to select product, to understand our products, the benefits of products as compared to competition, specification of product, so much of this activity, which you normally go physically go to a showroom to see the productus, we have now developed all that in the digital manner, so you can walk through that and it is developed in five languages so all the countries by and large in world can sort of, actually of course English is the main language apart from that we have in Spanish, French, Chinese and Germany, so we have couple of languages on which you can also track or see our products so like that we have several initiatives, which we have taken in terms of promoting our product.
- Ashish Kacholia:** My last question, I joined the call little late so I might have just missed it. Have you given a growth guidance for the next two, three years because our topline has been flat for the last quite a few years, our margins have been of course improving, so have you given any guidance for the next few years in terms of our sales growth targets?
- C.J. Pathak:** In fact, we have announced a capacity expansion plan for one Lamination line the capacity, the present capacity is 2400 lakhs square feet per annum we are adding the capacity of 1800 lakhs square feet that will be operational at the beginning of the next financial year. That is one announcement is there. Yes, thinking is going on as and when it is crystalized finalized, we will put before the board once it is approved then it will be announced.
- Ashish Kacholia:** Right Sir and just utilization of this line will be happen over the next two, three years?
- C.J. Pathak:** Yes, we are expecting.
- Ashish Kacholia:** Three years?
- C.J. Pathak:** We are expecting in two years to utilize that capacity.
- Ashish Kacholia:** FY2023 at the start it will get operational and it will get fully utilized in two years thereafter?
- C.J. Pathak:** No, two years from now.
- Krishnan S:** Yes, two years from now.
- C.J. Pathak:** FY2022, it will be operational and thereafter it will continue into the topline and bottomline both.
- Ashish Kacholia:** In one year itself?





- C.J. Pathak:** Yes. Installation it takes only one year. It will take around 9 to 10 months, so within one year we will be able to instal the machine.
- Pradeep Mehta:** Mr. Kacholia asked one more thing that he wanted to know probably the question that will it be able to get full capacity in the next year itself within 12 months itself.
- Ashish Kacholia:** I think that if you implemented by March 2022, how much utilization will you be able to do in the first year and the second year thereafter that is my question?
- C.J. Pathak:** First year about 40% and next year about 100%, in two years' time, we will occupy the whole capacity.
- Ashish Kacholia:** Got it. All the very best, Sir. Thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.
- Keshav Garg:** Sir, many congratulations for terrific cash flow for last year, but dividend is disappointing; however, in FY2019 we made Rs.35 EPS and gave Rs.10 as the same even though we made Rs.65 EPS, so please do something about that and also wanted to understand that our decline in margins quarter-on-quarter from around 25% to 18%, is it because of the change in product mix or in the increase in raw materials because I understand that in third quarter value added portfolio contributed almost 89% to 90% of the sale, so if you could tell us about fourth quarter?
- C.J. Pathak:** Certainly because at the beginning as I said that the raw material cost has gone up, which will be passed on to the customers for the export being very high, it take sometimes basically, so we will recovery that money, not an issue.
- Keshav Garg:** What about product mix, is there any change in product mix quarter-on-quarter?
- C.J. Pathak:** No, there is no change in the product mix.
- Krishnan S:** Little bit happens because of the seasonality, but other than that nothing.
- C.J. Pathak:** 75% specialty we are saying.
- Keshav Garg:** Okay and also wanted to just one suggestion. I am seeing in your presentation page #21, adjusted return on equity is given as 15.75, so if you can just mention in your investor presentation that you have 1000 Crores land that you hold, so if we take out that from our networth of around 1550 Crores thereabouts then the return on equity is over 25%, so just to give clarity to investors that actually that



land is an asset and we are including it in the basic denominator, so just if you could clarify going forward. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Sangeeta Purushottam from Cogito advisors. Please go ahead.

**Sangeeta Purushottam:** Yes, I had a couple of questions, when you are talking about this capacity expansion, is it only from the sun control films or is it an overall capacity expansion, so your total capacity is 2400 MSF per annum, which will increase by another 1800 so it is a 67% increase in your total capacity?

**N. Chandramouli:** Yes. We have both the side. Industrial product side and consumer product side utilizing the 100% capacity, if you see the last quarter we have utilized 100% capacity on both side. Right now, what is planned is expansion at the consumer production side and we are adding that 1800 LSF, which I had mentioned.

**Sangeeta Purushottam:** With this expansion, our capacity will increase by about almost two-third, 67%?

**Krishnan S:** No, just to clarify, as our CEO mentioned, we have two division, one is the industrial product and the other is the consumer product. The industrial product, has the capacity of 4200 tonnes of polyester film is not expanding. What we are expanding is one of the line, which is the window film business, the window film business has the capacity of 2400 MSF that is expanding from 2400 by 67% you are right, that is by an additional 1800 MSF.

**Sangeeta Purushottam:** Right, and this will contribute approximately 300 Crores to the topline?

**Krishnan S:** Yes, that is correct.

**Sangeeta Purushottam:** My second question relates to margins, like it has been mentioned earlier also to the other participant, your growth in profits has come largely from a very substantial margin expansion over the last few years because of your product mix changes, efficiency, etc., where do you see these margins headed because your presentation says that the value added products now makeup almost 76% of the total production so is there a scope for margins to improve further or have we reached stable margins and in the current financial year that is FY2021-FY2022, given that you are operating at 100% capacity utilization and this line will come up next year, the fact that volumes will remain fattish and again any growth in EBITDA and profits will really come from better margins?

**N. Chandramouli:** This current year, the addition of profitability will be from the PPF line and next year that will come from PPF as well as the new line will contribute in the next year. Value added product coming out with the new value added product will continue. Yes that is a continuous process and we always



search and go for the new value added product and there are as I mentioned certain products are already on cards and we are also going to file the patent and those products will also be introduced.

**Sangeeta Purushottam:** Right and that if the margins can actually keep growing even from here?

**Pradeep Mehta:** Efforts are for that to increase the margin also and also to increase the capacity so that the volume will go and topline will go because it was stagnant for a quite sometime and the efforts are there to increase topline and bottomline.

**Sangeeta Purushottam:** Right, so margins can improve from here, right?

**N. Chandramouli:** That is the constant endeavor and we have also got a new PCR we just Post Consumer Recycled product line, which is preferred kind of ingredient nowadays for other manufacturers so that is also adding to the value, we will add to the value as we go by.

**Sangeeta Purushottam:** Right, great and my last question is relating to your working capital, if you could just talk a little bit about what kind of working capital you are operating at right now and is there any scope for it to improve going forward?

**Pradeep Mehta:** We are continuously working on working capital to improve and at the same time we are adding on few more capacity so possibly it will be fluctuating for time being, but our constant attention is on the working capital to remain in the same way.

**Sangeeta Purushottam:** Right, so currently what kind of credit terms do you offer to your buyers?

**Pradeep Mehta:** Normally, we prefer dealing in advance.

**Sangeeta Purushottam:** You are dealing in advance?

**Pradeep Mehta:** Very selectively we go for credits, but that is against security or some LC and all that.

**Sangeeta Purushottam:** So, whatever the receivables we see in the balance sheet is really again...?

**Pradeep Mehta:** These are mainly from subsidiary company, majorly from subsidiary companies.

**Sangeeta Purushottam:** These are majorly from your subsidiaries. Great. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Ganesh Radhakrishnan. Please go ahead.

**Ganesh Radhakrishnan:** Thanks for the opportunity. I think most of the western countries are out of this pandemic, so do you see that the market has come back to pre-COVID levels in these markets?



- C.J. Pathak:** Yes, Krishnan would you like to?
- Krishnan S:** Yes, you are right. The western countries are slowly coming back to normalcy. Some of them are ahead, some are still battling COVID for example, South America we still continue to have this issue, Brazil is big market for us, unfortunately that is still battling COVID, parts of Europe is still having an issue, some parts of Europe have opened up, Middle East is okay, United States is fairly alright, and the businesses is growing, so this sort of explains by and large their condition and the impact of COVID.
- Ganesh Radhakrishnan:** On the same line now in Maharashtra, there has been severe lockdown for last one-and-a-half months or so, how is your production going on, is it going to have some impact this quarter?
- C.J. Pathak:** Our production is going. We are utilizing the full capacities because the local administration has permitted us because we are manufacturing some of the films, which goes for pharma and food grade application, also we are highest exporters and we are into the continuous process operation. With all these, the government has allowed us to continue and we are observing all the COVID protocol, which is laid on by the government, over and above we have our internal discipline also for COVID and that is how we are continuing all the 24 hours, 356 days working.
- Krishnan S:** Just to add, as was mentioned we are using our full capacity during the COVID time, so it probably answers your question.
- Ganesh Radhakrishnan:** Fair enough, Sir. Actually, I want little more clarity on the same question that the previous participant asked. Already you have reached the 100% capacity on the lamination and you said that revenue growth for this financial year will primarily coming from the PPF and from next year onwards the lamination once it has been expanded the lamination will contribute and from the segment, you do not seem to provide any segmental result between PPF and the lamination, now how much of this PPF probably has been three months in the market, so what kind of capacity utilization you think is going to achieve this financial year?
- C.J. Pathak:** You see last time we had declared that by March 2023, we will be completing 100% capacity. We are even nearing breakeven in six months time and as we have earlier projected we will achieve the targets what is set of 300 Crores in two years' time.
- Ganesh Radhakrishnan:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rajesh Vora from Jainmay Venture Advisors. Please go ahead.



- Rajesh Vora:** Good evening gentlemen. Thank you for the opportunity. Mr. Pathak, you mentioned about PPF, so we just started last quarter and you just eluded that you are on track to achieve 300 Crores by FY2022, so would you care to give some idea about, so this is the big year where we need contribution from PPF in a big way this year because there will not be any volume growth from the existing business, so would you care to give some?
- C.J. Pathak:** That plant is capable of manufacturing several products. It is having that kind of facilities, not only PPF, but also some value added products. So we are targeting to cater to the various customers demand for value added products from that line and to achieve the target set.
- Rajesh Vora:** Something like 150 Crores this year is possible FY2022, because next year you have to get to 300 Crores right?
- Pradeep Mehta:** We have not yet declared those numbers. I think it is getting there, as Mr. Pathak said, we have already come to a breakeven and going forward in the next year-and-a-half we would be able to complete the targets as stated.
- Rajesh Vora:** How much did we do the revenues in the last quarter from PPF?
- Pradeep Mehta:** We do not declare actually individual segments details for competitor reasons than anything else.
- Rajesh Vora:** Sure, and the other part I wanted to understand that we had that 1500 Crores revenue goal post for FY2023, right?
- Pradeep Mehta:** Yes, right.
- Rajesh Vora:** Are we on track to get there?
- C.J. Pathak:** Yes, absolutely on track, yes.
- Rajesh Vora:** Excellent that is good and last bit of bookkeeping on, you did cover this there is a raw material escalation in terms of commodity prices and whatever, how much for our company was the increase in raw material on weighted average basis for the whole year or for the last quarter roughly?
- Pradeep Mehta:** Last year, it has not gone up, it has gone down. Last quarter, December to March it has gone up by 5% of the revenue.
- Rajesh Vora:** Okay, 5% and that you aim to recover from your exports customers as there is a time lag as you clarified in the opening remarks?
- C.J. Pathak:** Yes.



- Rajesh Vora:** In the next couple of quarters, generally what is the time lag we experience?
- N. Chandramouli:** The next two quarters are the real best ones, so what is happening is that for Garware as an entity, so Mr. Krishnan can take it out.
- Krishnan S:** Around July is what we are looking at in terms of a full recovery of those.
- Rajesh Vora:** Excellent, good. Thank you so much and all the very best for 1500 Crores revenue.
- Moderator:** Thank you. The next question is from the line of Paarshwa Piyush Gala from SK Securities and Investments. Please go ahead.
- Paarshwa Piyush Gala:** Sir, my question is what is your revenue guidance for the next couple of years?
- C.J. Pathak:** As of now we have given guidance for FY2023 up to so that is what 1500 Crores, several people already explained it and we have published it, so that is our first target we have to achieve by FY2023.
- Paarshwa Piyush Gala:** Thank you so much and congratulations.
- Moderator:** Thank you. The next question is from the line of Sahil Sharma. Please go ahead.
- Sahil Sharma:** Sir, I was just seeing the FY2020 annual report and I saw that the company has to shut two of the film lines, I was just wondering if it would like to possible to go into the specifics of what upgrades were performed and also whether if you can talk about 45 days just for us to understand what kind of upgrades these are and as a followup how often can we expect to see repeat of these upgrades going forward basically I am referring all the lines have to upgraded, but about the frequency that can see or about the future plan?
- C J Pathak:** You see line 5 and 4, which we have recently upgraded that was the operating system, which was very old and no service was available for that and the OEMs had advised us to get it upgraded and that is why we got it upgraded.
- Sahil Sharma:** So, what was it like a one-off like we should not expect to see future right, because we have already upgraded for these two lines?
- C J Pathak:** Yes, indeed it does not happen very frequently.
- Sahil Sharma:** That is all. Thanks.



**Moderator:** Thank you. The next question is from the line of Keshav Karthik from Table Three Capital. Please go ahead.

**Keshav Karthik:** Sir, on the window film business, what we hear in because of the XPEL's entry into the US market, very aggressive pricing is going on within XPEL and 3M to price their window films very, very competitively given they have a basket of products, so are we seeing any price pressure on our window film business with the tinters one and two what is the usual price differential vis-à-vis our competition is it 10% higher or 10% lower or the same from a price perspective?

**Krishnan S:** In terms of the window film business we have been aggressively competing with XPEL and 3M in the US market. In fact our sales is better than XPEL just to give you an idea on a like-to-like basis in the US market. We are multiple times higher than XPEL on the window film number one. Number two, our products are priced higher than competition because of the quality, 3M is still higher than us, but we are higher than XPEL in the market, so we are at PAR with all other brands, which sell the products, our global brand is around the same price and as I mentioned to you are the key driver for our product is the quality that is what attracts customers.

**Keshav Karthik:** Got it. Sir, on the second question that I have, I know you would focus a lot on CPA, consumer products, but on the industrial products in terms of packaging I mean the covering around Pepsi or Coke or whatever it is, has there been any growth or because of the COVID you have seen a massive degrowth in the ICD space, we do not call it ICD, that is some value added in the pie chart that you have given, so is there any light or any colour that you can throw or is there are any growth expectation at all because we have not even expanding capacity, is there a way to enhance value here or is it almost like commodity what is we call it value add?

**Krishnan S:** No, we make specific products, which cater to the beverage industry. I think we had mentioned that last time also, which is called Shrink and that have a few manufacturers in the world, which make this product. Internationally in fact there are three recognized manufacturers apart from ourselves which are Klöckner Penta, and SKC, is a Korean company. There are other small ones, but these I would say are the larger ones of course the COVID did have an impact in terms of the beverage industry as we are aware the covering business including for Pepsi, Coke and all got impacted during last year, during the COVID, but this year we have seen a revival in the last one or two months as we approach some in this country and also in various export markets, the demand for this product started picking up quite well in most of their markets. We do see the demand continuing to be there for these products and at an appropriate time, we will announce our expansion plan for the business as well just as we just announced for the window film and the PPF as and when this is there suitable announcements will be made.





- Keshav Karthik:** Perfect and one last accounting question, from a tax rate perspective, I know you mentioned we have MAT credits for FY2022, so are we saying for FY2023, which is like next financial year we will go to 25% tax rate or are we still going to be on 35% even in FY2022?
- Pradeep Mehta:** That is what we are exploring. So we will see how it moves on about the MAT credit utilization and we will just workout, which option is much beneficial for us in FY2023.
- Keshav Karthik:** Got it, but we still do not know an idea between in FY2023 whether it will be MAT credit or 25%?
- Pradeep Mehta:** Chances are there.
- Keshav Karthik:** Chances are there that we can move to 25%?
- Pradeep Mehta:** Yes, possibility is there.
- Keshav Karthik:** Got it. Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line of Sudhir Bheda from Right Time. Please go ahead.
- Sudhir Bheda:** Thanks for the opportunity to ask the question again. Most of my questions are answered, but just opinion from you from the investor point of view, are we thinking list our shares in the National Stock Exchange to improve the visibility and liquidity?
- Pradeep Mehta:** Yes, the process is already on and just that COVID has delayed this process otherwise it should have been done by now, anytime in the near future.
- Sudhir Bheda:** Great, thanks and all the best, Sir.
- Moderator:** Thank you. The next question is from the line of Sawan Chittora. Please go ahead.
- Sawan Chittora:** My question is focused on the inflation in the US market, which is the largest market for us and inflation has hit it the hardest since 2008, so what impact are we forecasting on the sales or demand because some people may used to delay their expenses on the products or they may choose the cheaper option from the competition?
- Krishnan S:** We have not seen any such impact. On the contrary as I explained to you, in fact the biggest growth this year has come from the US market and the demand continues to be far more than what we can actually manufacture. You will be amazed the demand has been growing in the US market for our product.



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**Sawan Chittora:** So, one reason for that is probably while the products just used in cars is only \$700 to \$800 per car it is on the premium car, it is not done on the smaller car, so the user is probably a premium person, did not see any change in those spending profiles.

**Krishnan S:** In fact, we saw a surge in demand again because as you are aware during the COVID times, the government supported several people in terms of giving credit directly into their account and much of the money, which was received from the government we saw going into some of these purchases like the window films, etc., for their cars, so that in fact pushed the demand even higher.

**Sawan Chittora:** Thank you.

**Moderator:** Thank you. The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

**Kunal Bhatia:** Sir, thanks for the opportunity and first of all congratulations for a good set of numbers. Sir, just wanted to understand in case of window films, what would be the market size in US and when we say that we are number two, so what would be our market share in that?

**Krishnan S:** The market size in US alone if you were to say is somewhere in the region of about 2000 Crores or so in terms of the market size and we have a fresh air, I mean we are about 10% or so in that market, a little more than that.

**Kunal Bhatia:** Sir, when we are talking about the growth next year, what I understand from the previous conversation is that X of PPF if we were to take a little bit of price increase to pass on the raw material prices so X of PPF we would be growing in a mid or single digit say 4% to 5% odd is the understanding correct?

**Krishnan S:** No, we could grow more. I mean last year as you are aware we had a situation that we had the COVID impact also in the last financial year in the initial two months it was rather difficult so this year we do not have those impacts per se and yes, we could look at some opportunities of price increase, we could look at portfolio rejig in terms of new products, as our CEO mentioned we are working in terms of new products, which can be brought into the market, these are very sophisticated products, one such product we have just introduced into the market, which has started picking up demand, so some of these will actually add to the topline and also of course to the margins on the window film.

**Kunal Bhatia:** Sir, in case of our PPF business, will the margins of that business be higher than our average?

**Krishnan S:** Mr. Pathak, if you can answer?



- C.J. Pathak:** Yes, you assume.
- Kunal Bhatia:** Okay and how big would be the PPF market off lately?
- Krishnan S:** Again, the PPF market in US also is of similar amount somewhere about 2500 Crores to 3000 Crores so to speak.
- Kunal Bhatia:** My final question is that after this new capex, so the addition revenues, which we are talking about is that 300 Crores from the PPF and the 300 Crores additional from the new capex, which we are planning in terms of window films?
- C.J. Pathak:** Yes, 300 Crores by end of 2023 and 300 Crores by end of 2024, so that is additional will get added.
- Kunal Bhatia:** And total of 600 Crores addition from the current run rate?
- C.J. Pathak:** Yes.
- Kunal Bhatia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dilip Patel. Please go ahead.
- Dilip Patel:** Thank you for the opportunity given. One question on the volume side, so I understand that the revenue has gone up by almost 12% to 13% Y-o-Y, what is volume growth that you have seen in this year in FY2021 and secondly the question is that we can see that this year you have posted one of the highest margin, so is it possible to quantify how much is the inventory gain this year because of increase in your raw material price, so how much is the inventory gain that you have booked this year?
- Pradeep Mehta :** So, we maintained just in time inventory, so there is no gain that way. For polyester business, our volume are more or less same of the last year. There is no significant change in the volume, but in case of sun control film we have increased our volume by 20%, which has given up the additional revenue of 100 Crores plus.
- Dilip Patel:** Thirdly the land that you have above 1000 Crores any plans on that, what is the long-term plan, so the question is on the land worth 1000 Crores, so what are the plans on that, are you looking to divest that land or you were looking to do some Greenfield expansion over there, what exactly the plan on that land as of now?
- C J Pathak:** As we have stated repeatedly over here there has been no formal decision on that and as and when the board decides on what they need to do the land they will decide, but currently it is as is.



- Dilip Patel:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Sarvesh Bodani. Please go ahead.
- Sarvesh Bodani:** Sir, few questions, one is on the EBITDA margin, in Q3 we did 25% kind of EBITDA margin and we said that we will only improve from here and I understand that your raw material price hike has been a bit steep, so say for the full year FY2022, can we look at FY2025-FY2026, what is the EBITDA margin on a full year basis?
- Pradeep Mehta:** It will be in line with the previous years of one year basis is what we can say without trying to give you a particular number.
- Sarvesh Bodani:** Sir, you mentioned about these new products and also this Paint Production Film business, so what are the cycles that influence your decision to enter in the new market, is it a market size or is it any industry specific, does the demand come from our tinters the network that we already have so if you could say anything on this?
- Krishnan S:** Yes, see our market opportunity depends on the segment that we cater to. We cater to the automotive segment as you are aware. So all that is required in the automotive, which is an extension of our product range, we do that and that is how we look at products and we are looking at other products in a similar fashion, as I mentioned we have just introduced into the market at products, which again caters to the automotive segment, but for an application, which is on the front windshield glass, which is an exterior film which we use, which hitherto we were not catering to, so that is something, which just in, so we do identify such opportunities in the market, which are extension of our product range and which could be catered to by us, so as I said we keep doing research in terms of these products and we look at the markets opportunities some of the request do come from the tinter community as well, some also is based on our own research and analysis in the market.
- Sarvesh Bodani:** Thanks for that and Sir. Just on the FY2022 revenue numbers, so we are doing 290 Crores per quarter kind of run rate, so say hypothetically and so Paint Production Film business will bring us would it be over and above so say 1150 Crores to 1200 Crores revenue for FY2022 plus 100 Crores whatever you do from the Paint Protection Film business, so is that a fair assumption just hypothetically, I understand you do not want to give any guidance?
- S Krishnan:** Without any numbers I think we said we have broken even at this time so far. We are just six months into the field, so you can imagine in the tinter community, the same community that uses this for the Water Paint Protection as well, let us keep that I think in a quarter or two you will get a more prominent number, but it is going in the right direction, FY2023 numbers are in the right guidance then you can imagine that everything is going well so far.



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**Sarvesh Bodani:** Sir, small question on the Q1 though we heard the labour have been falling short in some plants in Maharashtra and whereas we had severe COVID for the few weeks, so let us say we could have sold 100% hypothetically so how much you able to sell or you are able to sell on that we wanted so you did mention that you are 100% so have you been at 100% for the full quarter or is it only now that you have been 100% utilization?

**C.J. Pathak:** It has been 100% for the whole quarter, we are utilizing the capacity though the workmen issues are there for some industry, but we have workmen, which are staying nearby to the work factory near by villages and they are travelling, they have arrangements for their travel and all care has been taken for the safe stay, so we could achieve that.

**Sarvesh Bodani:** In fact if I am not wrong, Mr. Pathak you could add we have been at 100% capacity for quite a few quarters now even during COVID I think, Mr. Pathak, please confirm if I am right?

**C.J. Pathak:** Actually, even we have completed the project during COVID time.

**Sarvesh Bodani:** The peaking of line was done during COVID?

**C.J. Pathak:** Yes, there are workmen from even outside states other than Maharashtra also which we had made arrangement to stay in the factory premises that is how we managed without any effect of COVID, we have all facilities, we have a health center inside the premises also and as I said we have total protocol for COVID, which is monitored continuously, they have cameras everywhere, everything, all regulation and followup, there is an auditing, which continuously audit also the actions so it is a complete process, which is followed and that is probably helping us.

**Sarvesh Bodani:** Thanks, Sir and all the best.

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

**Ayush Agarwal:** Sir, thanks for the opportunity. I dropped the line earlier. I got dropped. My question is that as you are discussing that about this painter penetration you said that a lot of the tinters are wedded to us, but some customers come looking for particular brand, so therefore does not that also mean that having the good presence among the car owners becomes very important because if they come looking for other brand and if our tinter does not have that brand then we could lose business, so how are we doing about that to create a brand presence among the car owners now that we have a good enough painter penetration?

**Krishnan S:** We are in touch with the car retailers. As you are aware in many of these countries, the retailers are chain, own buyers some of the large companies, so we are in touch. Our distributors are in touch with



these chain and we are also connected to the customer. In fact they offer packages as accessories when the car is sold at that point of time itself, they do make those offers to customers to attract them to buy our product.

**Ayush Agarwal:** But again, this is indirectly reaching to them, do we intent to reach them directly in some way or the others because that becomes really important given the supply chain penetration right now?

**Krishnan S:** See, as was explained in one of the questions, we do a lot of online activities in terms of reaching of the customers. Usually in developed countries, the way of buying products these days are more to go on to the net or go on to if they are interested in buying a particular product, they do a little bit of research especially when they are spending between \$700 and \$1000 and all that, so they go on to the net to check for the product and we are present as part of that consideration site, so therefore we are able to may have a connect in terms our brand with the customer as well.

**Ayush Agarwal:** Alright, also just I do not know this have asked or not, but given that you have already at 100% in our sun control line business that the production capacity, will the volumes remain flat for FY2022?

**Krishnan:** No, not necessarily, as was I think again communicated, we have several opportunities in terms of portfolio enhancement or introduction of newer products, so what we do is it is an ongoing process as we develop new products, which are high margin, high cost, we replace that and drop-off some of the low margin products from our portfolio. This is an ongoing process, so we still have opportunities for topline growth. Of course, notwithstanding that every company has cost control measures number one to improve the bottomline and also in terms of opportunities to increase price of the product so all those levers will be used in terms of marketing our product.

**Ayush Agarwal:** Thank you for the answer. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

**Sangeeta Purushottam:** I actually wanted to understand about the MAT Credit it appears a little high, is there any particular reason. Could you just clarify that?

**Pradeep Mehta:** Yes, we have MAT credit, so we are actually under availing old tax regime we are using the old tax regime.

**Sangeeta Purushottam:** When will that continue?

**Pradeep Mehta:** For us this financial year we will continue with that and next year we will see how much, if we opt for the lower tax rate and how much is MAT credit available, so that we will work out the next year.



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**Sangeeta Purushottam:** Alright.

**Moderator:** Thank you. The next question is from the line of Girish Jain from KJMC Finserv Group. Please go ahead.

**Girish Jain:** Thank you for the opportunity and congrats team on good set of numbers. I dropped off for some time, so pardon me if I am repeating the question. Could you just light on the propionate capex plan by when we will start commercial production and which particular product line are we looking through expand the capacity in?

**C.J. Pathak:** As I mentioned earlier, we are going for adding the capacity for window film line and the capacity of 1800 lacs square feet that will be operational beginning of the next year and 100% capacity utilization will be in two years' time by end of March 2024 and that will be mostly 300 Crores should get added to the topline.

**Girish Jain:** So, in this financial year we would not see any impact of the revenue, right?

**C.J. Pathak:** This financial year the PPF will get added.

**Girish Jain:** Sorry could you repeat that?

**C.J. Pathak:** Because in this financial year PPF will add on to the topline.

**Girish Jain:** Could you just also give me some idea of the working capital cycle of the company in the last financial year compared to the year before that?

**Pradeep Mehta:** See, it is running between 30 and 40 days.

**Girish Jain:** So, this has been a same band in the year before that?

**Pradeep Mehta:** Sorry?

**Girish Jain:** This has been the same band in the year before that?

**Pradeep Mehta:** Yes, it is more or less same, little improvement is there.

**Girish Jain:** Thank you and all the best.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. C.J. Pathak from Garware Hi-Tech Films Limited for his closing comments.





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**C.J. Pathak:** Thank you. Thank you all for participating in the earnings call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our Investor Relation Agency, Blue Lotus Communications. We thank you to all our investors who stood by us and also thank you for your continued confidence in the company's growth going forward. With this I wish you a great evening. Thank you very much.

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