

June 11, 2022

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

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

Dear Sir/Madam,

Subject: Transcript of earnings call held on June 07, 2022

Pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on June 07, 2022 at 11:00 a.m. IST.

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

This is for your information and records.

Thanking you,

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



Awaneesh Srivastava
Company Secretary



Encl: as stated above



**“Garware Hi-Tech Films Limited
(Formerly known as Garware Polyester Limited)
Q4 & FY-22 Full Year Conference Call”**

June 07, 2022



**MANAGEMENT: MR. DEEPAK JOSHI – DIRECTOR, SALES &
MARKETING
MR. PRADEEP MEHTA – CFO
MR. SUNIL WADIKAR – PRESIDENT - CORPORATE
AFFAIRS & FINANCE
MR. AWANEESH SRIVASTAVA – COMPANY SECRETARY**

**INVESTOR
RELATIONS: MR. N. CHANDRAMOULI – CEO, BLUE LOTUS
COMMUNICATIONS
MR. NIKHIL MEHTA – DIRECTOR, BLUE LOTUS
COMMUNICATIONS**

Moderator: Ladies and gentlemen good day and welcome to the Q4 and FY22 Full Year Conference Call of Garware Hi-Tech Films Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Mehta from Blue Lotus Communications. Thank you and over to you sir.

Nikhil Mehta: Thank you Peter. Good morning, everyone. I'm Nikhil Mehta from Blue Lotus Communications. We represent the Investor Relations for Garware Hi-Tech Films Limited. We welcome you all to the Q4 and Full Year FY22 earnings call of Garware Hi-Tech Films.

At the outset on behalf of the company let me sincerely apologize for not being able to conduct the Q3 FY22 Earnings Call despite our sincere efforts. There were some management changes during the period and some of the company's key management personnel were traveling ensuring that the disruption from Russia-Ukraine crisis, price volatility and shortage of raw material etc. were smoothened out and ensure that the company's operations keep running smoothly. We apologize to everyone for missing this important meeting last quarter and assure the Analysts and all the Investors that we shall be here to connect with you every quarter to take your questions and answer your queries.

Before we hand over to the management, I would like to mention a short cautionary statement. Some of the statements made in today's earnings call may be forward looking in nature. The statements are subject to risks and uncertainties which will cause actual results to differ from those anticipated. The statements are based on management beliefs as well assumptions made on the information currently available to them. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings 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 the company's management participating in today's call. We have with us Mr. Deepak Joshi – Director of Sales and Marketing, Mr. Pradeep Mehta –CFO of the company, Mr. Sunil Wadikar –President (Corporate Affairs and Finance), Mr. Awaneesh Srivastava – the Company Secretary and Mr. N. Chandramouli – CEO of Blue Lotus Communications.

We shall start with the management's observations and overview of the company's performance in the fourth quarter and the full year gone by. Post this we shall switch over to the question-and-answer session. Thank you everyone and over to you Mr. Deepak Joshi.

Deepak Joshi: Thank you Nikhil and good morning and welcome to our Q4 and FY22 Earning Call. I hope all of you are keeping safe and healthy. Since this is mine and Mr. Sunil Wadikar's first introduction with most of you and you guys may not be familiar with us, let me introduce myself and Mr.

Sunil Wadikar. I am Deepak Joshi, having industry experience of more than 24 years in India and internationally. I've been involved in productivity operations commercials, sales and marketing for polyester, polymers and petrochemicals. Prior to this association, I have been involved with companies like Reliance Industries, Indorama, OCTAL Petrochemicals and I've been associated with Garware for last 5 years and currently I head the sales and marketing operations for the company.

And about Mr. Sunil Wadikar, he is President Corporate Affairs. He's a qualified CA and USCPA with over 19 years of experience in the field of corporate finance, mergers and acquisitions and direct and indirect international taxation. Prior to this he was associated with Reliance ADA Group and he was Director on board on Reliance Home Finance Limited, Reliance Health Insurance Limited and few other entities of Reliance ADA Group.

Dear all, on 26th of May we reported our audited Q4 and full-year FY22 Earnings. Let me take you through some of the key highlights and business developments.

First of all, Garware Hi-Tech has achieved its highest ever yearly revenue of Rs. 1,303 crores with a net profit of Rs. 167- crores. The strong results despite the pandemic waves, logistic disruptions, Russia and Ukraine conflict and high volatility in crude oil prices and last but not the least is the Chip shortage for cars reflects the strength of our core business that we perform despite all those challenges.

As mentioned in our earnings presentation by our Chairman that our business initiatives taken few years ago with a long-term vision and financially conservative outlook are now bearing fruits. The capacity additions, upgradations and enhancements of existing capacities, introduction of new products like PPF and films in architectural segment where we were not present earlier have started contributing to growth of revenues, margins and cashflow generation.

I would like now to update you on the business for the second half of FY22:

On capacity utilization - our production lines have been full. On most of these lines, we have the luxury to pick and choose orders because of the strong demand and long order book. It helps us in geographical de-risking as well, for example Russian and Chinese orders declined due to the war and COVID lockdowns, respectively. But we were able to replace these orders with other geographies like USA, Europe and Middle East.

We have now recruited a COO based at Aurangabad as the business is growing and to control the business operations and improve the efficiency and productivity. So, this new gentleman has been appointed at Aurangabad.

Now on the next business, car window film business where we have shown continuous growth despite challenges of drop in car sales in the key markets of USA and Rest of the World due to shortage of chips and COVID lockdowns.

Now coming back to the third business segment which is Paint Protection film for us, there the business has been continuously growing and we have a capacity which is one of the largest capacities in the world. To fulfill that line we have strongly initiated our marketing campaign and we have started these campaigns in domestic market and the rest of the world because domestic market when we started this business, we had a very little expectation or plan for this market like something 5% of the business we were expecting from this domestic market. But in the recent time the business has grown to almost 3 times as we envisaged at the time of planning this capacity addition. So, in view of this kind of growth we were excited and we have started some initiatives:

Number one of them is the GAS that is Garware Applications Studios. These studios are flagship stores of Garware PPF brand where we are giving incentives to our dealers to have such kind of stores in all major cities in India. We have an ambition to have 200 such studios in India where they will be dedicated to Garware Paint Protection applications and we have already signed some agreements and almost 10 are in discussion in a short span of one month. As I said we hope to have 200 stores by end of next financial year.

Apart from that we have already appointed 40 distributors in India which cater all of Indian market. We have now started strong social media campaign to promote that product. We have been approached by many social media influencers because of the quality of the product and now awareness has grown in the domestic market, so people are interested in that thing. We have call centers which is getting quite a good response in terms of enquiries and we are converting them into orders. Now this is in India. We have driven a very strong marketing campaign in USA. We have recently hired a President of Operations in USA which is now three months already. We have now put a dedicated team for the marketing there and there the first thing comes to the social media which we have started very strongly. Then we have been participating in shows like SEMA, which is the biggest automotive show in USA, then 'Tint-Off' and after that we have started now Label Expos which is on ITD side, the show which will happen in Chicago.

Apart from that on architectural segment we have started participating is BOMA, which is building owners and managers show, then NeuForm and Tech Expo. With a strong presence on social media, then participating in these shows, then on print media all the window film magazines and paint protection film magazines are carrying our Ads on full pages. In India we have FADA, Car Drive, Overdrive, all those magazines are publishing us. On top of that we have now started training programs all over India. We are training 50 applicators every month at our facility. These people are going all across India and working for GAS to promote our product. This is on PPF business and the marketing campaign overall.

On CAPEX part, I would like to update everyone that there is a small delay on startup of our new lamination line. So, this month which is now under dry run. We expect by end of this month the trial to be completed. The next month which is starting Q2 of this financial year this will be fully operational. We have plans for a running that line step wise to reach its full operations. So,

that's all from my side. Now I will request Mr. Pradeep Mehta, our CFO to share the financial highlights. Thank you.

Pradeep Mehta:

Thanks Deepak. I'm happy to share financial growth statistics of our company. Ladies and gentlemen good morning. I assume that in last few days most of the investors have gone through the financial results declared on the stock exchange. Just to refresh your memory, I am sharing key number achieved during last financial year which reflect the growth story of our company. First time our consolidated revenue has grown by Rs. 341 crores from Rs. 989 crores in FY21 to Rs. 1,303 crores in FY22. And our consolidated PBT has grown up by Rs. 41 crores from Rs. 190 crores in FY21 to Rs. 231 crores in FY22. Our consolidated PAT has gone up by Rs. 41 crores from Rs. 126 crores in FY21 to Rs. 167 crores in FY22.

So, overall last year growth in top line was around 32% and current financial year we are aiming for further growth from the PPF as well as new window film line. So, future growth is possible since multiple initiatives are in pipeline as explained by Deepak in his opening remarks.

One is on the capacity expansion. For the new lamination line, we are expecting commercial production from Q2 onwards i.e. from the next month. Two, we are increasing manpower and marketing. Three, we have already increased the marketing & advertising budgets for training, social media and marketing events what Deepak has explained.

We are committed for the business growth of our company. Thank you all and with this we can open the floor to the question-and-answer session.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Samir Desai from PH Capital Limited.

Samir Desai:

So, my questions on the distribution side of the business. So, just wanted to understand, has there been any consideration of probably going downstream into distribution by we be acquiring some stake of an exclusive distributor because as we understand I think the distribution business is key for growth in various geographies and it does have a relatively higher margin? It's a high margin business as well. Just any thoughts on that side and also how we are maintaining a bargaining power with distributors considering the other big players? So yes that's more I think.

Deepak Joshi:

If I understood it correctly that you are asking me if there are any plans to acquire the distribution network to increase our business, right? The thing is that we are considering some kind of expansion as we mentioned earlier that it might be organic or inorganic and in that line of business, we have some plans in USA where we are trying to evaluate some opportunities where this business might come altogether with such deals. That's the one part of the question. May I ask the second part which you wanted to know?

Samir Desai: From the bargaining power angle or in probably like the agreements that you have with distributors in different countries. I mean are they exclusive in nature or like how does that side of things work?

Deepak Joshi: Yes, they are exclusive in nature in most of the countries. However, there are some who have the liberty to buy from us as well. But I would say majority of them are exclusive in nature. When we talk about the bargaining power in terms of our costs increase or anything happens, any kind of cost increase happens then we pass it on because ultimately the distributors, we have a responsibility towards distributor that he sells maximum of our product. So whatever the cost increase or decrease happens we negotiate based on that. It's a very transparent process with our distributors.

Moderator: Our next question is from the line of Anshul Shah from Alpha Plus Capital Services LLP.

Anshul Shah: My question was regarding our CAPEX. As per your IP you have two CAPEXs 135 crores which is I think for the PPF and lamination line. So has that been completed and what about the other 135 crores that you are doing and when will that come online and what is the turnaround that you are going to expect from that CAPEX?

Pradeep Mehta: There are two tranches of 135 each, so total 270 crores was the CAPEX plan. So, first tranche of 135 crs. was utilized for PPF plus upgradation of our existing lines. That is already completed in last year. Another tranche 2 is 135 crores which we planned for the new lamination line for which as Deepak explained the dry run is going on. From the next month onwards, we are expecting commercial production for that. This new line is going to contribute around 300 crores additional revenue going forward.

Anshul Shah: The PPF also I guess in the earlier presentation and earlier calls you had said that that would also be contributing close to 300 crores. I think it's being operational for almost a year. Are we target to achieve that or how much are we actually doing in PPF? Would you be able to help us with that?

Pradeep Mehta: So that was a commissioned more than 1 year ago and that is contributing to the additional revenue growth, PPF line we are using for, not only for PPF even we are using for intermediate products for window films. So, both of them have started contributing in the top end as well as bottom line. We are on the track as per the target and budgets whatever we have planned, we have achieved in last financial year FY22 and we projected that the full capacity utilization will be happening in next 2 years

Deepak Joshi: By end of 2024.

Anshul Shah: My next question was so what would be the contribution of the domestic market in the PPF business, I think you said that it is slightly above what you had expected?

- Deepak Joshi:** Yes, initially I would say that was like our idea was 95% of exports because PPF is very well-known commodity in US market and European market. In India there is very low penetration. In line with that we thought it's very difficult to have sales of that kind of product in India. But after we started last year selling in India the numbers have been very exciting for us and going forward, initially we planned only 5% but now I'm thinking that this business might go up to 20% of the total PPF business.
- Anshul Shah:** Does the new CAPEX that you have which is coming on stream able to produce PPF because most of your product lines are kind of interchangeable, so expecting higher demand for PPF than I guess PPF is also a slightly higher margin than your other products.
- Deepak Joshi:** Yes. So, the new line is basically will produce window films but we can also produce PPF but, we already have a PPF line which is being dedicated for PPF business only. So, the new lamination line will be dedicated for window films but of course when the business changes and with so much of geopolitical risk and the demand might go up and down, so there is a facility to switch means we can also produce PPF out of it.
- Anshul Shah:** If I may squeeze in the last question, how there is talk of imminent recession in the US, so are you kind of seeing any slowdown in demand especially in the last one or two months since used autocar sales and new car sales everything is coming down over there?
- Deepak Joshi:** Yes. See as of now we are not seeing any slowdown on the demand but we also have continuous dialogues with our customers in USA and rest of the world and USA market definitely because of the current inflation rate is very high and the cars production has definitely gone down. So, these people are expecting a slowdown, recession next year. But these are all, this market ups and downs and this will happen with everyone because all of us are on the same boat but looking into our capabilities I can assure all the investors that our capabilities in terms of good quality products and with right pricing for the products usually we are affected the least, I can say that. But definitely I agree that might happen. We are not seeing any such situation right now but we are aware of this situation and we'll try to do best out of it.
- Anshul Shah:** Just one last clarification on the CAPEX. Both the CAPEX put together of 270 crores at full capacity utilization probably by end of FY24. Do we expect that the revenues to come in from that to the tune of 600 crores?
- Pradeep Mehta:** Yes, it will come but it will come on staggered manner.
- Anshul Shah:** I understand but the potential is up to 600 crores from this CAPEX?
- Deepak Joshi:** Yes. The potential, the capacity between which we are adding and potential with full line when the lines are full in staggered manner, the total output would be to the tune of 600 crores, that's the plan.

- Moderator:** Our next question is from the line of Nikhil Agrawal from VT Capital.
- Nikhil Agrawal:** My question is regarding your raw materials, your raw materials for sun-controlled films is PTA and MEG, right?
- Deepak Joshi:** No, actually if we see the raw material for films, polyester film its PTA and MEG and for sun control film its polyester films. Ultimately if you want, yes.
- Nikhil Agrawal:** For paint protection films?
- Deepak Joshi:** Some of the components are of same, polyester films but one of the major components is TPU that is thermostatic polyurethane film.
- Nikhil Agrawal:** TPA?
- Deepak Joshi:** TPU.
- Nikhil Agrawal:** What I wanted to know was like do you procure these on-the-spot basis or do you have a sufficient amount of inventory at all points of time?
- Deepak Joshi:** I would add the clarification. You are talking of TPU or polyester film?
- Nikhil Agrawal:** Polyester film, PTA and MEG.
- Deepak Joshi:** On PTA and MEG, we have long-term contracts with our suppliers and it is a guaranteed supplier because the supplier is very big in terms of capacity and many plants of the same products. So the supplies are guaranteed, almost guaranteed unless there is something force majeure happens on all the lines.
- Pradeep Mehta:** And the pricing is on import parity basis.
- Deepak Joshi:** It is formula linked prices basically.
- Nikhil Agrawal:** I'm assuming you procure your raw materials from Reliance, am I correct?
- Pradeep Mehta:** Yes, you are correct.
- Nikhil Agrawal:** What I wanted to know was like now since Reliance, they have acquired Alok Industries which is into making manmade textile. So, lot of their production of PTA and MEG that goes into the production, that goes into captive consumption basically. So, is that still not any threat to you? I mean are you looking at other alternatives to it or are you still dependent on Reliance?
- Deepak Joshi:** See I would answer it in different way that we have long association with Reliance, maybe for more than 20 years. If you say the availability of the product, we can arrange from anywhere but

we have these long-term agreements with them and which they are fulfilling very nicely. Second thing whatever they have acquired in the market, it does not compete to us directly or even indirectly because as you mentioned about Alok Industries that is basically into the filament fibers and that kind of business which we are not into. There is no threat or something because the agreements are very-very long term.

Nikhil Agrawal: Yes. Also, your raw material cost has not gone up by a huge margin, considering like in February we all know what the situation of Brent was. So, I'm assuming because as you said you procure your raw materials on a long-term contract basis. Is it a six month or any tenure you can say?

Deepak Joshi: See raw material, these petrochemicals are dependent on two things. One is the cost of its raw material which is ultimately crude oil and then Naphtha and all. Second thing is the demand supply. So, considering both of things there has been an increase in the raw material prices continuously if you compare with the last year because that was a low base year. I mean FY21 and FY22 was like crude oil went very high from the base and this year also it is now historic high if we leave some years in 2008-09 and '10. So, I would say the raw material costs will definitely go up. We are seeing it's going upward trend but we have been able to pass on such kind of cost to our customers because we make them understand like the value chain and all our competitors world over are facing the similar issues. So, we are able to convince and pass on such kind of cost increases to our customers.

Nikhil Agrawal: You got significant inventory gains this quarter, that was basically the raw material price because of the raw material price inflation?

Deepak Joshi: Can you be more specific because I couldn't hear it properly.

Nikhil Agrawal: Like you got significant inventory gains of about 8% of your top line during the quarter. That was basically because of the raw material price inflation I am assuming?

Pradeep Mehta: No, it includes stock-in transit also.

Nikhil Agrawal: Okay. Your other income was up during the quarter by almost 100% compared to the previous quarter, so any reason for that?

Pradeep Mehta: There is unutilized redundant assets which we have sold out, monetized it. So that's a one-time extra income in the last quarter.

Moderator: Our next question is from the line of Dhaval Mehta from Aditya Birla AMC.

Dhaval Mehta: My first question is let's say for our sun control films and PPF films, how is our go-to market facility like we directly sell to OEs or we sell to the dealers or the garage owner. So, if you can help me with that.

- Deepak Joshi:** See our business of window films and paint protection films, it comes under consumer product division where we have a distribution network in all over the world where we sell the products to distributors and distributor sells it to dealers and dealers are either selling to shop owners or they are directly using applicators to sell the product.
- Dhaval Mehta:** So, we cannot tie-up with an OE, let's say to sell our PPF product?
- Deepak Joshi:** Yes. So, as I said now in window films, we have some of OEs already in our portfolio where actually it is through distributor because distributor is on our commercial terms and everything we sell is on advance basis. We have distributors who cater to OEs also but, as I said we have now changed our focus and we are focusing more towards the marketing of the product wherein we are now in contract with 4 or 5 major OEs in India and in USA. In India I would say in paint protection films since we have done, on paint protection film in India I am saying that it's not a market which we are trying to take from somebody. We are creating our own market in India because one the way we are now doing marketing of the product, we are getting lots of enquiries and we are selling lots of products. As I said which is already 3 times or 4 times than our budgeted numbers initially. For that and we have got interest from OEs also and we are in advanced level of discussions with them like products have been qualified. It's only the commercial terms we are now negotiating with OEs so that they can directly fit it from the dealer's showroom only.
- Dhaval Mehta:** Okay. Currently what percentage of cars let's say in India and in US use PPF?
- Deepak Joshi:** See that number is actually, I mean these things are not published but I can say that in the last estimates and currently what we are seeing, roughly 10%, in USA it's up to 15% but in India I mean I can only give USA number because India is almost nothing where we are planning something to do because we are only manufacturers in India. I would say between 10% to 15% in USA.
- Dhaval Mehta:** In India less than 10% or around 10%?
- Deepak Joshi:** India it's very low. But if I say we have been studying, our marketing team is going and surveying. We are also aiming for the 10% number for the cars which are more than 30 lakhs. We call them the luxury segment for PPF. That targets we are keeping internally but I would say the market in India it is already not even a percentage but we are trying to move it to the level of 10%.
- Dhaval Mehta:** In terms of margin profile across our various products if you can help us with let's say if not quantitative wise but qualitative wise how the pecking order of our margin profile is?
- Deepak Joshi:** You mean product wise?

- Dhaval Mehta:** Product wise, let's say PPF I'm assuming will be relatively a higher margin product compared to a thermal lamination or something like that.
- Deepak Joshi:** Yes. If I say then I would say PPF, then window films, then shrink films and lastly thermal, that is basically mostly commodity.
- Dhaval Mehta:** In terms of growth profile which particular segment you see that in next 2 to 5 years can be the fastest growing for us?
- Deepak Joshi:** PPF, I would say PPF, architectural window films and shrink films.
- Dhaval Mehta:** In US how is the competitive intensity in PPF market? In India you mentioned that you are the only player. However, the market is very small. In fact, you have to develop the market but in US where the market size is around 10% to 15% of the overall car market, how is the competitive intensity?
- Deepak Joshi:** They are very known players if I would say in that way like Eastman Group is primary one and neck to neck is Xpel and after that 3M comes and then we have started our activities and we can be in that range after that. So, if Eastman Group which has 2-3 companies and then Xpel and 3M and then capacity wise we are looking for this space now third-fourth whatever we can get.
- Dhaval Mehta:** And our pricing will be similar to theirs or it will be lower?
- Deepak Joshi:** Traditionally because we are trying to penetrate market more. So, I can say that it will be competitive as compared to them, so a little bit lower than them.
- Dhaval Mehta:** My last question in terms of let's say capacity utilization, what is our current capacity utilization? If we exclude the 270 crores CAPEX which we did in last 2 years, so if we exclude that what would be our capacity utilization?
- Deepak Joshi:** It's all the time full because there are products which we have order book for next 2-3 months. So, all capacities are fully booked as of now.
- Dhaval Mehta:** Now with this 270 crores CAPEX one already coming up last year and other expected in next one month. So, we can generate additional around 600 crores, part of it maybe already been in the base but let's say additional around 450-500 crores we can generate in next 2-3 years.
- Deepak Joshi:** Yes correct, if all goes well this should be.
- Moderator:** Our next question is from the line of Ritesh Chheda from Lucky Investment.
- Ritesh Chheda:** What is the size of the PPF films (paint protection film) business now since it was first year of operation last year? And my second question is with respect to margins. You mentioned that 21 was a year where the material prices were lower and 22 is a year where material prices were

slightly higher. It's been about last 4-5 years where our margins are in between 15% and 18% but there were years before that where there was single digit margin. Is the reference number now this 15% to 18% range or there is some element of benefit of cycle which would have flowed in the last 3-4 years in your margins as we have seen in a lot of companies?

Deepak Joshi: We cannot be compared with other film companies because if we see common base would be only 25% to 30% of the market. So, this number which we are seeing that primarily came from the fact that the number of specialty products used to be roughly at 48%, 3 to 4 years back and now it comes around more than 70%. That's one and second thing is that the exports also have contributed in a strong way to 70% level. So, with these two things I would say that the numbers we will try to be at that number. I mean that is a reference we are saying now.

Ritesh Chheda: The current margin number 17%-18%.

Deepak Joshi: Yes.

Ritesh Chheda: On the first question sir the PPF business, how much are we running in the last year FY22?

Deepak Joshi: PPF line is now more than 50% utilized and last year it had achieved breakeven. Now it is giving us margins. It has gone up to that level of up to 50%.

Ritesh Chheda: We are doing 80-100 crores of revenue in the first year of operations?

Pradeep Mehta: Yes, that's correct, in the line.

Ritesh Chheda: Last question, so let's say even in the other film companies we have the specialty portfolios which is anywhere between 35% and 40% of their business but they have also gone through their cycles of profitability from lower end Rs. 13-14 a kg to higher end of Rs. 23-24 which was visible in the last 1.5 year. So could there be an element of some profit commodity element which would have flowed down in your numbers in the last 3 years which needs to be adjusted or you don't think that way?

Deepak Joshi: You're right there whenever such cycle comes, we also get benefit. I was talking on commodities, in the market there is a swing on the commodities in last 1.5 years to 2 years mainly because of this low raw material prices. At the same time packaging demand have been very good but, in our case, we have the fungible lines where we can swing them based on our specialty or commodity wherever we see better margins. So if there is some discounting has to be done that is very low or almost nothing because of the specialty nature of the business where we can utilize our line for the special products.

Ritesh Chheda: Your response to my question if I have understood is that you think there is no element of a beneficial commodity cycle to your margins. So, there is no such benefit now at this 17% margin number.

Deepak Joshi: Yes, correct.

Moderator: Our next question is from the line of Naushad Chaudhry from Aditya Birla SunLife AMC.

Naushad Chaudhary: A couple of clarifications, firstly in your opening remarks you mentioned that we are entering into this Garware Application Studio and we are targeting 200 studios by FY23 if I heard it correctly. So just wanted to understand what is the thought process behind this model and what would be the overall economics of this, is it something similar to what Xpel does in the US market or would it be different than that? What is the thought process and economics of this?

Deepak Joshi: The Garware Application Studio, the concept is to increase our marketing drive in the domestic market whereas I mentioned we found very exciting results for the initial launch of the product. This basically as I said we are doing roughly, training for 50 trainers, applicators in a month so that they are going all around India and creating a buzzword for PPF and then Garware PPF. And to enable such kind of drives we are training so many people to have them at a place where they can apply our PPF on the cars. So together with our distributors and dealers, we are engaging those applicators so that they can be in all major cities of India where they can do application on the cars with PPF. This has again come out from a survey which we continuously do and our trainers and applicators also share with us that in many places in India people are ready to do their cars for PPF but, they do not have the right place and the right applicator for that product. Like if you go to some places like Jharkhand I mean like Ranchi and then Jaipur and all those places, internal survey has shown that there is a strong need of the centers where it can be done very neatly and cleanly with the right kind of applicator because this is a product which ranges from Rs. 1 lakh onwards for the car owner. So, in view of that we have launched this initiative and definitely this is the aim as I said is to reach around 20% of our PPF sale from India. That is basically the drive behind it.

Naushad Chaudhary: If I have understood it correctly, these 200 stores / studios who would be investing in these studios? The company would invest or the distributor would invest and who would be operating these studios?

Deepak Joshi: This is basically on an operating expense basis. I mean the dealers are doing that but we have some special arrangements with them in the pricing of the product so that we give them special incentives to open them. At the same time all these stores will be with same kind of theme in them like the facade and the entrance and all those things that there is a guideline design which have been given by us to them which they are following. The major expense is on the GAS owner that is our distributor or dealer but we have an arrangement with them to give them a special incentive in the pricing of the product. So that they are inclined to sell more, they put more marketing efforts. Whereas we incentivize them for their efforts for putting the Garware Application Studio.

- Naushad Chaudhary:** Secondly in terms of your growth outlook for FY23 given that there is a substantial delay in your sun control film of capacity and others apart from PPF, other capacities are also running at optimal utilization. How do you see a volume growth excluding your PPF business in FY23?
- Deepak Joshi:** As we have updated that this has been delayed and that delay was like there are some countries which went to a strong lockdowns and the factories were seized for some of the suppliers because of strong COVID wave. But this month we are already on the dry run. All the equipments have arrived and it is under the stage of a dry run. In a month or so, we'll be doing commercial production. So, some of those sales will be definitely reflected in this year's sales revenues.
- Naushad Chaudhary:** By when do you expect the sun protection, new capacity you would be commercialized? I missed that point.
- Deepak Joshi:** From July onwards, next month onwards.
- Naushad Chaudhary:** There won't be any capacity concern in terms of growth?
- Deepak Joshi:** No.
- Naushad Chaudhary:** Lastly in terms of our pricing model specially in specialty films business, how often do we revise our prices and what is the pricing model do we follow here?
- Deepak Joshi:** On the pricing; we have like base formulas for our raw materials. There is a quiet period where we do not do anything like (+- 5%) or so but beyond that we revise the prices and these are not, they are subject to our competitors also. But in general, when the prices go up, it goes up for everyone like our import, our raw materials are on import parity basis. So, the impact is for everyone so every month whenever we release the pricing for the customers, we include that number in that. But what happens is when the order book is very strong like 2 to 3 months there is sometimes a lag of 1 or 2 or 3 months to recover those prices and same thing happens when it goes down, in that case we benefit a lot out of it. It's like we do that on a regular basis I would say monthly basis but at the same time there is a lag because whatever because of the order book also and the supplies happens after 1 month, 2 months or 3 months' time depending on the order book.
- Naushad Chaudhary:** Roughly what percentage of your specialty business would be more than a quarter contract?
- Deepak Joshi:** Roughly I would say if I take 70% of specialty business then around 60% to 70% of that is on that order book basis.
- Moderator:** Our next question is from the line of Ankit Gupta from Bamboo Capital.
- Ankit Gupta:** Given the kind of success we have seen on the PPF side in US as well as the kind of plans we have in domestic market also. How do you see the growth of PPF over the next 2-3 years? How much revenue do you think these PPF can generate for us let's say in FY24?

- Deepak Joshi:** See the total top line we expected, we have already shared that the total would be with lamination line and this line is Rs. 600 crores. The top line capacities depending upon the market pricing of crude and all those things like the absolute pricing may go up and down. And as we said the line is already operating more than 50% of PPF and the new lamination line is expected to start in next month or so. These will add into the top line and bottom line.
- Ankit Gupta:** Sure but can PPF be a Rs. 250-300 crores product for you in FY24 or '25?
- Deepak Joshi:** Yes, that is what the target is by FY24, it should be achieved in full. We are on track in that direction.
- Ankit Gupta:** On the domestic side the Garware Application centers that we plan to open the 200 centers in the next 8-9 months or by end of FY23. How much money will we be spending on this? How much operating expenses will go in starting this application centers?
- Deepak Joshi:** As I said this are basically on an operating expense basis. So, we are not investing any substantial CAPEX on that. This is basically owned by our distributors where we compensate them by giving discounts on the product which are like a part of volume discount. So, in that situation I'm saying that this is a model where we are incentivizing them to or encouraging them to sell more and that they are helping us by opening these and putting those CAPEX on their part. In a nutshell I'm saying that the CAPEX is not substantial here. Nothing worth mentioning here but it's basically an operating expense model.
- Ankit Gupta:** We ended FY22 with the revenues of around Rs. 1,264 crores and we have the new CAPEX coming on stream during July or by Q2 of this year. How do you see the growth in revenues over the next 2-3 years? I think the new CAPEX is expected to add Rs. 600 crores to our top line so you know can we reach Rs. 1,800-1,900 crores top line over the next 2-3 years?
- Deepak Joshi:** I'm saying that this is already as we said we have a 50% utilization of PPF line and the new line will also start and will be utilized stepwise. So, overall, in a 2 years' target like by end of FY24. Definitely everything will come on top line and bottom line and we are seeing no major road blocks for such kind of growth for the company.
- Ankit Gupta:** So, you expect the top line to reach around Rs. 1,800-1,900 cores by FY24?
- Deepak Joshi:** I believe I mean everything is on right track. We can definitely reach the numbers which we have done with the aim of these two lines running full, we'll definitely reach these numbers or breach these numbers but, this is again if everything is on track I can say here. You can expect if everything is on track and these lines will start and run full and we'll achieve whatever we have targeted to achieve.
- Moderator:** Our next question is from the line of Ayush Agarwal from Mittal Analytics.

Ayush Agarwal: My first question is related to PPF. If you can give a breakup of this Rs. 80-100 crores that you mentioned that you have achieved in FY22. Out of that how much was under our own brand and how much of it was white label, if we did any white label?

Deepak Joshi: For PPF it would be 50-50 because there are many of our customers are now going towards the OE side and at the same time there are some big customers who have a strong brand presence. We can also sell it to them. So, I would say a 50% for the Global Garware brand and 50% on the white boxes.

Ayush Agarwal: In previous calls and given the wide distribution network that we have in the US, what challenges are we facing in the PPF market because it is already an established market and given a distribution network, we have to scale up in our own brand should have happened a little faster so if you can explain us what is happening there and what really are the challenges or may be steps that you are taking to sell more under our own brand?

Deepak Joshi: We have as you rightly pointed out, we have a strong distributor network in USA and the brand Global is very a widely recognized and known brand there for window films and we have started PPF on the same line. But PPF there are the people who are there for more than 10 years or so and we have entered the market last year only but, we are seeing good signs on that. But when we talk of the challenges, challenges are we entered at a time where there was a chip shortage going on and the cars which output should have been normal or a with a growth of 5% to 7% which normally US expects. In last 2 years the growth, the sale of cars has drastically gone down and so the sale of overall PPF. But there have been some drives, marketing drives and some companies are trying to improve the percentage of PPF applied on cars coming out of the showrooms and it has increased. In a way it the short of cars sales has been made up by increasing the percentage application of the PPF on cars, but definitely that has been a big challenge. Had that not been there, the market would have been much easier for us and it would have been easier to trade on that. Special mention, for all of I mean for everyone about PPF the questions are being asked. We have, what we have done to go to a level next like as we had said we have done we have started GAS, Garware Application Studios and call centers and influencers. Apart from that we have also launched new products; now there was only one product earlier. Now we have launched three products which are like one category up of our standard product and one of little bit economical on that. Though quality does not change but we have now three products. That has actually quickly I mean jumped the sales of the product and we are expecting a further growth because of this particular point also.

Ayush Agarwal: In the next 2-3 years, when we plan to achieve full production from a PPF line; what percentage would be looking to sell under our own Global brand and how much would be white label? Do you have a target for that?

Deepak Joshi: I just answered the question that because this market is again there are some big players who have been there. So, I would say 50% of Global brand and 50% of the white box, Global means Garware plus Global would be 50%.

Ayush Agarwal: And my last question is on our sun control film. On other line of expansion is coming very soon here in sun control and you yourself mentioned in the opening remark that production is a little slow, car production is a little slow this year and given the inflation demand may taper a little. So how do we plan to scale this up? Are we also looking to sell under white label here or what are the plans for new capacity expansions?

Deepak Joshi: For new capacities we have started a special drive towards the architectural segment. Garware, traditionally in automotive we are very strong; we have the complete range and we are a very widely accepted brand on automotive segment. So, now we have launched a special campaign towards architectural segments. Even in India there are many big names which we started to cater like I can say a top hotel chain and one of the newest and the largest selling this consumer brand, their showrooms and one of the leading original OE of cars. They all are using our architectural films and they have approved and they only use our films as on an architectural segment. Like earlier were doing a lot of airports like Changi Airport in Singapore and Vadodara Airport in India, many colleges and all those things. But now we have launched a sustained campaign. We have put our manpower, call centers towards the architectural segment of the business and which is also now showing good results. As I said the largest hotel chain right now in India and one of the leading car manufacturers; they all have approved our film for architectural application and we are continuing such kind of marketing efforts to have that.

Moderator: Our next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Would you tell me what is the cost escalation when it comes to power and fuel cost as compared to Quarter 4 and also if you could guide me what is the situation of ocean freight rate when it comes to the freight expenses?

Deepak Joshi: First on freight. The thing is freight rates have jumped like anything, everybody is aware of that and we closely watch that. We actually thought it will go down in Q4 last year but unfortunately it did not happen despite a small reduction of 4%-5%. but again, it went back to the earlier higher rates. Then after COVID situation the new lockdown in China, the rates from China to India have gone down but the rates on and vice versa but the rates towards West and West side specially US and Europe, they did not go down because of this conflict between Ukraine and Russia. Many companies reduced their lines catering to these things. But now again we are seeing a little a drop towards West world and we are negotiating our contracts in line with that. We are seeing a drop but we because of this situation especially oil going so high and the tension between Ukraine-Russia and anytime Iran can also, can jump into that. We are seeing like reduction as of now but on a longer term we can't say unless things settle down in that line but our contracts will be definitely lower than what we have done last year.

Vignesh Iyer: I can assume that the freight rate is now almost on par with what it was in Quarter 4, right?

Deepak Joshi: Yes, at par but as I said there is an indication which has come many times in the past also but there is an indication that they will drop.

- Vignesh Iyer:** Considering in terms of the raw material cost there is a pass-through mechanism for the company. So, can I assume that on absolute level the EBITDA, we would be managing to maintain it in FY23?
- Deepak Joshi:** Yes, definitely. I mean as if given condition do not change and all those things, we should be able to maintain.
- Moderator:** Our next question is from the line of Ashish Kacholia from Lucky Investment Managers.
- Ashish Kacholia:** Congratulations to the team on a very good margin performance in Q4 in spite of all the cost pressures. Are you sure that you will be able to maintain the margins going into FY23 or are you saying that we'll be able to maintain the EBITDA on an absolute basis for the year?
- Deepak Joshi:** I would say that there are questions on margin production on EBITDA level because last year was a low base raw material and this year it is high base raw material and which is quite high as of now with \$120 crude brent is there. But having said that the portfolio which we are carrying mostly 70% we are talking of the product which cannot directly be translated, cannot directly be increased or decreased the price, by its translation cannot happen that fast because of the specialty nature of the business where order book is 2 to 3 months long. But we are continuously taking those rises and we have been taking in the current months also. We hope that this EBITDA margin level should continue what we have set in over last 2-3 years.
- Ashish Kacholia:** Your sales growth targets are very encouraging so my best wishes for that.
- Moderator:** Our next question is from the line of Keshav Garg from PP IPL.
- Keshav Garg:** I wanted to understand that our top line is declining since the past two quarters whereas I'm assuming that we must have taken some price hike during the past 6 months. In that case despite our realizations going up, our volumes are falling. That is why our overall sales number is dropping sequentially since past two quarters. So, your comments?
- Pradeep Mehta:** If I can understand your question correctly you are asking that in last three quarters, the top line is constant and...?
- Keshav Garg:** No, I was saying in September quarter we did Rs. 340 crores revenue, in December quarter we did Rs. 334 crores and March quarter we did Rs. 324 crores. So, despite increase in realization through price hikes; the volumes must be falling drastically for overall sales number to fall?
- Pradeep Mehta:** Volume is dropping you are saying? Yes, you are correct on that because see March had certain global and geographical issues that you are aware, the Russian-Ukraine crisis was there and there on some container shortage was there in the market. The transit time has gone up for stock transit and the logistic challenges were there. So, that's why the volume is going down but it has been managed by other business, other geography. We are diverted those business and then we got the top line there.

Deepak Joshi: There were like some volume which we could not dispatch for the reason of Russia-Ukraine and that reason because the logistics challenges were there; despite we produced that material but, we diverted and found alternative markets quickly like in US, Europe and Middle East where we could sell those products in coming months. So, and the stock in transit was also high as Mr. Mehta said.

Keshav Garg: Lastly just wanted to give a suggestion that our stock is trading below book value. We have Rs. 200 crores net cash on our balance sheet. We are net debt free and we generate Rs. 200 crores operating cash every year which is more than enough to cover all our CAPEX. So, then why don't we do share buyback since our stock is trading in single digit PE so, I think we should consider this strongly.

Pradeep Mehta: We have noted your suggestion. We are looking and are working on a few more organic and inorganic opportunities. We can't say anything on the buyback now.

Moderator: Our last question is from the line of Anshul Shah from Alpha Plus Capital Services LLP.

Anshul Shah: I would want to reiterate what the previous person had said. We are sitting on net cash. Why don't we do some buyback so that there is shareholder value created. Also, I just wanted to understand there has been issues with the senior management, lot of directors quitting and rejoining. So, could you please clarify on that? I mean what is the succession planning and is the company in good hands?

Deepak Joshi: Yes, actually if I say it's not exit or something. It was like Mr. Pathak was retired because he was due to retire and after that we have hired the COO at the plant who looks after the entire operations in a view to increase the efficiency and the productivity because even after we believe that after PPF running full and new plant running full, we still need to de-bottleneck our plants to give the maximum product output. In view of that we have hired a new COO here and at the same time 3 months back we hired a President Operations in US because that is our key market where we need to grow. Company's focus is on continuous growth, producing more products and having a right marketing strategy to sell all geographies and around 88 countries in the world where we are strongly present. We have all the functions as headed by experienced persons. So, I would say that you are in the right hands. And lastly the promoters are involved on all decisions and including day-to-day operations. Wherever we require the guidance from the promoters it is always there. So, I can hope I have answered your question.

Anshul Shah: Yes. One last question. Are there any plans for the non-core assets that we hold in form of excess land or whatever that we have? Because that is kind of a drag on all our return ratios and everything. Do we have any plans on that?

Deepak Joshi: Yes, we are as of now focusing growth on all aspects like as you have seen the top line growth from last year, I mean '21 to '22 and we are focused on further growth with all new investments and new value creation. Such in terms of land bank monetization and all those things will be

taken at the appropriate time and whenever board decides on that. As of now the focus of the company is on continuous top line and bottom-line growth with strong right team at the right place and the strong marketing campaign.

Anshul Shah: One last bookkeeping question. I think in your earlier presentations you always used to give a breakup between your CPD-IPD and thermal. So, can I have that breakup for the year?

Pradeep Mehta: That is also available right now. If you see the current presentation also. It is available there but it's not specifically mentioned that it is IPD or CPD.

Anshul Shah: How would you consider your plain film and packaging film in IPD?

Pradeep Mehta: That will be in IPD. So, for ease of your understanding, you can consider sun control separate and then thermal is already given in the separately. Rest of is IPD part.

Moderator: Our next question is from the line of Ashish Kacholia from Lucky Investment Managers.

Ashish Kacholia: My suggestion basically is that you have big opportunities coming up to grow and therefore we should conserve cash. And I would respectfully disagree with the comments of some of the other participants about asking for a buyback. I think we have huge opportunities to grow. I think we should conserve our cash and reinvest back into the business so, that we have the firepower to kind of seize any opportunities that come our way. Your capital allocation track record has been fairly good and we run a very conservative ship. I think you should conserve the cash and look to drive the growth of the company through very good acquisition opportunities if we get. Some players might be available in distress. If we can buy some distress assets in these distress times, if we have the cash, we can do all such things. I think we should use our cash and try and buy some good distressed assets and see if we can put our technology and abilities to turn those assets around and squeeze good ROI out of those. My thought would be like that. All the best.

Deepak Joshi: Yes. Thank you. Thank you for your suggestion and we have noted that. So, we will internally review that. And thanks for your suggestion.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today and I would now like to hand the conference over to Mr. Deepak Joshi for closing comments.

Deepak Joshi: Thank you once again for participating in today's earnings call and your continued interest in Garware Hi-Tech Films Limited. Our IR team at Blue Lotus will be available for any follow-up questions you may have. Wishing everyone a great day ahead. Thank you very much. Thank you.

Moderator: Thank you very much. On behalf of Garware Hi-Tech Films Limited, this concludes the conference. You may now disconnect your lines. Thank you for your participation.