June 01, 2024

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 Ltd
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Trading Symbol: **GRWRHITECH**

Dear Sir/Madam,

Subject: Transcript of the Earnings Conference Call - Quarter & Year ended March 31, 2024, held on May 30, 2024.

Pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Earnings Conference Call held on May 30, 2024, 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**

AWANEESH KUMAR SRIVASTAVA
Digitally signed by AWANEESH KUMAR SRIVASTAVA
Date: 2024.06.01 12:28:38 +05'30'

Awaneesh Srivastava
Company Secretary
FCS 8513

Encl. as stated above.

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“Garware Hi-Tech Films Limited Q4 FY24 Earnings Conference Call”

May 30, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to Garware Hi-Tech Films Limited Q4 FY '24 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 this 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. Vikash Verma from E&Y LLP Investor Relations. Thank you, and over to you, sir.

Vikash Verma: Nirav. Good morning, everyone. Welcome to the Quarter 4 and FY '24 Earnings Call of Garware Hi-Tech Films Limited. On behalf of the Company, I would like to express our gratitude to each of you joining the call today.

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

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

We will now start the session with Opening Remarks from the Management Team. Afterwards we will open the floor for an interactive Q&A session.

I would now like to invite Mr. Deepak Joshi for the Opening Remarks. Over to you, Mr. Deepak.

Deepak Joshi: Thank you, Vikash. Ladies and Gentlemen, good morning, and thank you for joining us today to discuss Garware Hi-Tech Films, that is GHFL Financial Performance for the Quarter and Full Year Ended March 31, 2024.

Let me start by providing a brief overview of our financial standing:

We are excited to share GHFL's exceptional results, showcasing our commitment to growth and profitability. We have reported the highest ever revenue of Rs. 1,677 crores for the full year and a record high PAT of Rs. 203.3 crores, surpassing the Rs. 200 crores milestone. The key driver of this success was our PPF and SCF businesses, which experienced remarkable growth, which is slightly offset by the IPD segment due to industry-wide excess capacity.

Let me briefly explain the performance of our main product lines:

First of all, I would like to talk about Paint Protection Films:

PPF continues to deliver robust performance, operating at optimal capacity. The PPF business achieved 3x revenue growth in Q4 FY '24 compared to Q4 FY '23. We foresee strong traction in both international and domestic markets.

To meet future demand, the board has approved Rs. 125 crore in capital expenditure to establish a new PPF line with a capacity of 300 lakh square feet per annum, which is expected to commence commercial production by Q2 FY '26. The decision to take this line was primarily because our lines were running at optimal capacity and we have introduced complete range of products like PPF Plus, Premium, Titanium, Matte, Black and White. This is to cater all segments of customers.

With this CAPEX plan and debottlenecking and the introduction of a full range of products, which we just discussed catering to all customers, we are confident in maintaining this growth momentum for PPF business.

Let me talk about solar control films:

Our SCF business surged by 67% in Q4 FY '24 compared to last year, fueled by a combination of factors, favorable global economic conditions, expansion into new markets and the introduction of innovative products like Spectra Pro, DecoVista and Rooftop series. All contributed to this growth. We are also actively driving the sales through increased participation in exhibitions and distributor conferences, along with a strong focus on digital media penetration.

Looking ahead, we anticipate robust demand growth for both automotive and architectural film segment on a global scale. As a special mention, we have created a new business segment with the new team to take architectural business to the highest possible levels. We have strengthened our team in various geographical locations as well.

Let me talk about industrial product business, where shrink film and other specialty IPD products exhibited steady growth, partially offsetting the decrease in commodity and packaging business. At Garware Hi-Tech Films, we remain dedicated to manufacturing superior quality products backed by strong R&D and improving our distribution network worldwide and solidifying our position in the global value-added film industry. We are confident in continuing this growth momentum and remain committed to delivering strong top and bottom-line results.

With this, I now request Mr. Pradeep Mehta – our CFO, to take us through the highlights of the financial performance. Over to you, Mr. Mehta.

Pradeep Mehta: Thank you, Deepak, and a warm welcome to everyone joining us today.

I am delighted to report this quarter with the highest ever profit and robust operational performance. For the full year, revenue stood at Rs. 1,677 crore, increased by 16.6% year-on-year, supported by continuous growth momentum in the PPF and SCF business.

The Company is doing good in terms of PPF. A significant jump has seen in the PPF business. The deployment of additional sales force in new geography territory contributed to revenue increase in the SCF business. The IPD business showed sign of recovery in the last quarter and is expected to continue this trend going forward.

For the full year, EBITDA stood at Rs. 321.1 crore, up by 19.2% year-on-year basis. However, this growth was partially offset by lower volume and margin pressure in the IPD business. Along with this increased sales and marketing expenses, PAT stood at the historically high of Rs. 203.3 crore, that is up by 22.4% year-on-year basis.

For Quarter 4, revenue stood at Rs. 446.6 crore, recording a sharp increase by 28% year-on-year. Strong sales and marketing efforts led to a substantial increase in PPF business. The architecture segment of SCF witnessed high growth with the introduction of new products.

For the quarter, despite increased sales and marketing and other expenses, EBITDA stood at Rs. 89.7 crore, up by 27.5% year-on-year and PAT stood at Rs. 57.8 crore, up by 34.2% year-on-year. Approximately 78% of our revenue in FY '24 came from export and around 89% from value-added films. This positioning us for superior growth within the industry.

I am pleased to report that beyond our impressive quarterly growth, we have maintained an exceptionally strong financial position, our balance sheet was zero net debt and a healthy cash reserve of Rs. 388 crore. The robust financial standing allow us to confidently invest in future growth opportunity, such as upcoming capital expenditure for the new PPF line.

Furthermore, we have witnessed significant improvement in key financial metrics as well. This year, we achieved an impressive ROCE of 21.08% and ROE of 15.87%, excluding the revaluation reserve. These figures demonstrate our efficient utilization of funds generated by our business operations.

Additionally, our effective working capital management practices have kept our working cycle at just 8 days for FY '24. This reflects our ongoing commitment to operational excellence and efficient cash flow management.

In conclusion, at Garware Hi-Tech Films, we are committed to offering value-added products with a customer-centric approach and a strong product line which have driven our PAT above Rs. 200 crore for the year for the very first time. Now we are confident in continuing this growth momentum and remain dedicated to delivering value to our shareholders.

Thank you for your continued support.

Let us now proceed for Q&A session. And I hope you have seen our earning numbers as well as the Investor Presentation, which is uploaded on the Stock Exchange. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Congratulations team for a wonderful set of numbers and post a wonderful Quarter 3, we have done much better in this quarter with improved margins. Sir, my first question is with regards to the growth driver in this quarter, which has been the SCF. So, SCF, we have reported almost about Rs. 185-190 crores of sales in this quarter, and this is the highest in last 8 quarters. We generally had a run rate of about Rs. 150-155 crores. So, this quarter, this has really jumped up sharply. So, one, what has led to this growth? And based on this quarter, how do we look at the next 12 months to come? Can we maintain this so-called Rs. 180-190 crores of quarterly run rate or how do we grow further from here? This is my first question.

Deepak Joshi: Thank you, Mr. Rahul. See, as we discussed in last couple of investor calls that the growth of PPF, growth of sun control, there was an issue of inventory which was like after COVID, it went too high. And then there was a time in last 8, last almost 3 quarters to like, you know, that got streamlined, that got offset. And we always gave guidance that this business is number one business for us which we are like world leader in this business. And our growth in this will continue to happen.

So, now this Quarter 4, we have seen all the demands which was there. I mean, we are tracking the secondary sales as well. So, that was at a good pace in the last full year. And Q4, like, when the inventory got rationalized, that partially started coming back from Q3. And Q4, it was fully recovered. So, we continued this growth momentum because now the excess inventory, the phenomena which was there is not there. So, we have like, and we are seeing this growth from all around USA, Europe, Russia, China, Far East, Middle East, everywhere the growth is coming. And we expect a good show going forward from here.

Rahul Jain: So, can we expect this run rate of Rs. 180-190 crores on a quarterly basis to remain and probably grow further from there in the coming quarters?

Deepak Joshi: Yes, I can't exactly give that number like is it going to be Rs. 180-190 or something. But the steady growth will be there from here. So, that is we are seeing our commitment and our efforts in that direction. And we are fully aligned that our customers are also aligned to these kind of order books from going forward.

Rahul Jain: And on PPF, we have done exceptionally well in this year clocking almost Rs. 450 crores of sales. So, going forward from here, because your presentation mentioned that the PPF business has stabilized in Quarter 4 or by Quarter 4. So, Quarter 3 we had a substantial Rs. 160 crores of top line, which is in Q4 is around Rs. 110 crores. Obviously, it is not right to look on a quarterly basis for the business. So, my question is basically from Rs. 450 crores annual basis, what could further drive the growth going ahead in the PPF segment?

Deepak Joshi: See, PPF, the growth if you see world over, the people are really appreciating the PPF business. And there is lot of enthusiasm for further penetration which is like 10% to 12% in advanced countries, primarily because it is increasing the aesthetics and it reduces the maintenance of the car. So, if you see those markets that's growing, that is expected to grow at a CAGR of 6.5% from 2024 to 2030. So, we expect a strong growth in overall PPF business.

And if we talk of India, when we started, the market was like penetration was 0.5% only. As we speak, it has crossed 1.5%. So, I mean, I can say that all the efforts which we have put in sales and marketing and participation and customer awareness along with the digital media support, we have been able to achieve this kind of growth in India, which is primarily driven by, as we proudly say, is by Garware Hi-Tech Films, right.

So, now when we talk about our Company in terms of participation, this growth drivers, which is going to happen in world over and Indian market, we are like in advanced level of discussions with many new customers and we hope that the kind of growth we have seen, it will continue, right. And so line is optimally loaded as of now and plus for further growth till the new line comes on stream, we have planned like debottlenecking of one of our existing line, which is we have the bottleneck to cater the market demand going forward.

Rahul Jain: On the domestic front, both SCF and PPF, as we mentioned, we have worked very hard more so in the marketing side, creating awareness also for the new sun resistant film for auto size and architectural films. So, sir, given also that the number of GAS channel partners from March '23 of about 65 stores, today we are at 126 stores. So, domestic business, where do you see this going? What is it currently both SCF and PPF put together for FY '24 and say, next one to two years, where do you see this moving?

Deepak Joshi: Domestic, actually, if I bifurcate the growth story, so there are three segments. So, I will speak first, like overall growth, which the maximum growth we are expecting from architectural segment, as we mentioned that we have made a separate dedicated teams and made separate products for architectural segment, because we have been in the past always been viewed as a Company which is fully dedicated to automotive segment.

With our efforts since last two, three years working, now we have full team, which is dedicated to architectural segment and we have launched many new products in that, which is DecoVista series and Spectra Pro series and some of the Rooftop is also being applied in that segment. So, with this, we expect a very good growth, almost double the growth on architectural segment. That's one we are committed to deliver in that way.

Second is we expect a very good multiple growth in PPF as well. Of course, the run rate will come down now because the base rate was pretty low over the past few years. We have done like 6x, 10x jump on like quarterly basis and annual performance always has been multiple fold. So, now the growth will be like 30%, 40%. Still, it will continue for two years and after that it will go to 20%. So, that's a very natural phenomena because when the base was low, we really jumped very fast. So, the number two growth will come from PPF segment.

And lastly, on the kits which are allowed as per CMVR rule 100, we are quite committed to sell the volumes based on the conformity of the government rules. But that business also has seen a quite good jump, which I can say 20%, 30% growth is coming from that segment also.

So, overall, we can put a very strong show, which we have done in last year and continued for next two, three years. This will continue. This will be maintained.

Rahul Jain: So, just to understand these GAS channel partners, I was looking more towards that. 65 stores existed on March '23. So, probably some of those stores are more than two years old and with enough marketing done and awareness created. Could you give a range typically for the oldest stores or the stores which are more than two years old? What kind of revenue a particular one store could be generating? And typically, a one-year-old store, how much that could be generating on a yearly basis?

Deepak Joshi: Sir, I think the model there is little understanding required on this model. This model, these GAS are not owned by Garware, right? They are the franchisee models where we just support them to grow, to stand on their own feet. So, like to give them more support because GAS was like, you know, they need much more to do to survive on its own. So, we have done a product launch, which is called Titanium, which is a top range of the product. So, that Titanium product is only available to Garware Application Studio.

So, even the Company has changed some kind of strategies to, actually, our model was, if you know that we sell to distributors, and they sell to dealers and then they used to sell to GAS or low, I mean, direct detailing centers. So, to support Garware Application Studios, we have launched a product, Titanium, which is top of the top rolls, but only given to GAS. So, whatever requirement 1, 2, 5 rolls are being done by them, we are directly servicing them. So, that has, like the sale of that product has done really good. And it's like a product which you can compete with the best of the best.

I am saying if you talk of the market prices, starting from Rs. 2 lakhs, Rs. 1.5 lakhs to Rs. 3 lakhs. So, these kind of the products are really good and the value to GAS owners are really good. So, we support them by giving such kind of special schemes, right? Product at a different pricing, special product to them, which is not available in the market, so on and so forth. So, we are committed to making them successful. However, they are not owned by Garware. So, we do not look into their P&L.

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

Ankit Gupta: So, my first question was on the PPF front. You know, we have seen that the market leader in the segment Xpel has actually reduced its guidance for the current financial year. And they have been talking about some headwinds that they are facing on the U.S. market as well as on the China market front. So, what are your views? And how do you see this impacting us? And are we confident of PPF growing at 30%, 40% in FY '24 as well, FY '25 as well?

Deepak Joshi: So, to answer your first question, like guidance given by a particular Company is for a particular market and their results, I believe, are impacted by that. But if you compare our results was because we are talking of the same quarters. So, you can see the difference that we are not at all affected by whatever is given by a particular Company. Right. So, we have like, we have a very distributed sales.

Even in U.S., we have like multiple channels of sales and our growth comes from other regions as well, quite strongly. So, in all likelihood, we are not affected by particularly a particular guidance given by that Company. So, that is one.

Second thing is on PPF, definitely we expect the growth of guidance. Actually, that is not very firm because of so many like factors going up and down. But we will continue our growth momentum, which is with the new line, we have got some kind of, I would say, projections given by customers and by our team and which we will cater. Before the new line comes, we will cater to our old lines and some fungible lines, which has been the bottleneck to make the market requirements. So, our growth story will not be impacted by that and as clearly evident by the results of the same quarter for both the companies.

Ankit Gupta: My second question was on your guidance of Rs. 2,500 crore that you had given in terms of revenues in FY '26, I suppose. So, that guidance remains, or any change is there?

Deepak Joshi: Yes, we are on track towards that.

Ankit Gupta: And the last question was on the sun control films front. You know, after a long time, we have crossed Rs. 160 crore kind of revenue run rate in the current quarter. And as you are saying, the industry for sun control films or the demand for sun control films has turned around. So, given we are a very large player in the segment, do you think we can have a 20%, 30% kind of growth in FY '25 for sun control films over FY '24?

Deepak Joshi: Yes, over FY '24 definitely, as I said, there has been an impact of inventory which has gone and plus our efforts, as I said, like from all around and we have added team everywhere including some new geographies. We have added expats into the team, and they are leading it to the further territories. So, we are actually reaching out to new customers and new territories and the growth seems to be, the focus seems to be quite good. So, we are confident of achieving that.

Ankit Gupta: And any outlook on the IPD segment? The shrink segment has bounced back in the current quarter after the impact that we have seen in the last two quarters. So, we have come back to a run rate of around Rs. 55-60 crore in this quarter. So, how do you see growth in this segment?

Deepak Joshi: So, growth on, first of all, it's a little seasonal business, shrink business. So, during the peak heat, it will definitely go to the top of the level, but the countries where we sell a lot of products for the dairy segments and to North America and Europe. So, that growth will continue. And over the years, many players tried to enter into that business, but our position has been reaffirmed by the market participants because of the quality and the continued consistency in our quality. So, that momentum will continue in that.

And overall, on IPD segment also, we are expecting a bounce back, but not as strong like it will jump from, but definitely from the level of FY '24, this year we are seeing a good momentum as we go on into that business. So, that business because there are a lot of rationalization happening into the market, so we expect with our product line, which is a specialty segment including shrink, we are seeing a good bounce back. And overall, though we do not participate in packaging or commodity business, we expect that that is also getting stabilized and slightly showing upward movement.

Moderator: Thank you very much. Next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: I would not hesitate to even appreciate the presentation which you have shared. It's very nice, sir. Very detailed and very helpful, sir. Just to elaborate my understanding, we are putting a new capacity in PPF with the CAPEX of around Rs. 125 crore. So, what asset turn we can expect? Can it be around 3, 3.5 times as per our understanding?

A. Venkataraman: Yes, you can see, as on date we have asset turnover is around two times excluding the revaluation reserves. This would slightly move up in the coming year depending on the sales what we are projecting in '24-'25. So, to answer your questions, yes, we expect some increase in the asset turnover ratio in the coming years.

Sanjay Shah: Sir, our new launch of Titanium PPF, how is that product? Have we launched that internationally? And what response we are getting into it? And also, the question on PPF was regarding our entry into tier two cities. What is the response from there?

Deepak Joshi: So, like as a strategic growth in PPF, our base was pretty low. So, first two years we did a sale into a segment which was mid-range segment. Then we entered into a little economic kind of section with a Plus variant. So, initially it was a premium which is running really well, which is the major market share. And then we launched Plus, which is a variant where people cannot afford somewhere like lakh rupees or so. And then after that with the market demand because our quality runs really well on the countries like USA and like Europe, so then we made this product which is very different from the other products which is like there is, actually, it's a bit technical, but I can explain that. It's like it is much whiter or cleaner, I can say. You can see the gloss of the car increasing pretty quickly. Its application stretchability is wonderful. It's kind of non-yellowing, and it has got a lifetime warranty.

So, with these basis like top of the top products which comes with all competitor, so with launch of this product, we have a complete range from the very basic level to the top of the top range. And all products have been categorized in terms of their technical capability, their specification. And of course, they have warranties, which is like starting 3-year, 5-year, 8 year and lifetime. So, based on that, this has been launched.

So, this was launched very recently. I can say it's not even 2 months. And we are getting very good response because this is a GAS specific product. That is only Garware. It is sold through our application studios only. So, that's why it's kind of a limited version at the beginning. The reason not to distribute it, we just wanted to segregate our position. It's a branding product basically, which is being sold to create brand awareness of Garware, not create competition amongst our participants, that's the dealer, distributor and everyone.

So, that's why it's very unique in its nature and it's growing very good. And after its launch, when we said it's a lifetime warranty, we got inquiries from South America, Europe and some inquiries from USA. We have not yet launched into that market, but we will soon think of doing that.

Sanjay Shah: And sir, response from tier 2 cities in India.

Deepak Joshi: So, to answer that question, we have like 2 weeks back, if I am not wrong, we launched, we made 4 Garware Application Studios, 3 in Lucknow, 1 in Kanpur, and in next 2 months there is a plan to open 6 to 8 Garware Application Studios. These studios, as I said, is not owned by Garware. This is like people who want to be associated with Garware brand. They are requesting us. We are doing an evaluation, and we are seeing the potential, and based on that we are awarding these studios to them. So, with the response of Lucknow, Kanpur and all those kind of tier 2 cities, we are getting a very good response. And the growth, next line of growth will come from there.

Sanjay Shah: Sir, my last question was regarding our new product of DecoVista series. Can you give us some highlight on that?

Deepak Joshi: So, DecoVista series is a decorative product, which is used by commercial and residential where it is interior partitions are required. So, yesterday night, we had a conference of our regional like south, sorry, best regions' dealer and distributor meet which was like headed by our architectural head in India. So, I was also present. So, we showcased these products. So, what we are doing now with it in first Delhi, then Chennai, now in Mumbai, and we will go all around to showcase the product and its properties live demonstration on that.

So, these products are, as I explained, these are decorative films, but they come with lot of options with that. I mean, there is a safety film involved in that. So, that is being used by many hotels and in shower cubicles and all, which they have seen in the past kind of accidents when they open.

You go to a 5-star hotel and when you open a shower cubicle, it goes very fast. It touches the wall and breaks. And that is harmful for the guests in the hotel. So, all those things, I mean, this is only one example I am giving, how deep we go, but there are many such things which our team is going and promoting, and people are liking these products. So, this like comes with a decoration and safety in one product. So, that series is called DecoVista, that is decorative.

Moderator: Thank you. Next question is from the line of Rohan from Turtle Capital Management. Please go ahead.

Rohan: As we can see that our GAS studios, the network has increased like twice and as well as OEM network has been increased. So, can you give us an explanation regarding what kind of consumer behavior change we are seeing, because now we have sufficient reach? So, are people willing to spend behind PPF or window films?

Deepak Joshi: Yes, see a window film, if I go to their category, they are very different. Window film is not that expensive in a way, like it's a very premium product, our products are, but the cost if you talk is very different. Whereas PPF is in the multiple and it can go into a lakh rupees for a car, right. So, for PPF, there is a different kind of efforts are required and people are appreciating that. Like GAS is basically an area where mainly PPF is promoted, right.

So, with the increase of our strategy is now, as I said, we were like, we went into a middle segment then to a lower segment, now completely on the top. We completely made products as per the market requirements, which is catering to all kinds of customer segments, right. To add it to that, we have like Matte PPF, we have Black PPF, we have White PPF, and that will go continuously like our R&D team is continuously working to give a great experience to our customers.

Now, when we talk, there are many people who are very passionate about their cars. So, there it's like maintenance and aesthetic value increases. I can't name the celebrities, but we have done like almost, I mean, in Bollywood and like in sports and everything, we have done like multiple people using the product and giving a very, very great feedback to us. So, that's one.

And when we talk in the tier two cities, like I gave example, I am sticking to that example because I can't name every city. So, like Lucknow and Kanpur, we are these kinds of cities. This is an example. We can take Raipur, we can take Nagpur and all those cities. Like we are putting a lot of efforts and people are really appreciating and giving value to that.

Because if you talk of how the pattern has changed, like I said, when we started, it was 0.1%, 0.2% penetration. Only like 300, 400 cars were being done in India. As we speak, the number has increased to 1.5% to 2% and in car terms, I think it has gone to multiple thousand levels, right.

So, the pattern has changed with sustained marketing efforts and keeping people's mind that this product is something which is a value for its money, right. I mean, the scratches in the mall or anywhere, wherever you get these kinds of things, and you can get rid of these kinds of things by putting a PPF, which comes with a great name like Garware kind of quality.

And second thing on sun control, we have been like a very strong player, but our focus was because of capacity constraint two, three years back, we were mainly focused on automotive.

Now the shift has changed like automotive, definitely we are doing great and we will continue to do so.

But we have put another effort toward architectural segment, like I just explained with the introduction of new products, that market is growing. But at the same time, it gives a lot of value to many malls, commercial spaces where energy saving is there. So, you can see we have energy calculators. Whenever we talk to like those decision makers in big malls and commercial buildings, they are really excited to know that there is a product which is Make in India, which can compete with the number one, number two who have ever been there in the world stage. And our quality definitely is either at par or better than that.

So, our value propositions are really great and that is being populated to market. And we are quite confident that it is going because we have seen the results in last two years that we have been growing, but with the sustained efforts, like our team addition world over and an entirely new team created in India, so that is making a big impact.

Rohan: And another question is regarding what kind of revenue we are doing for GAS to like we are supplying to them. So, what kind of revenue we are doing for GAS and as well as for OEM dealership?

Deepak Joshi: So, when we talk of like there are two segment per OEM as we have like it seems more like the GAS partners are continuously increasing, but as we said, we don't go into each and every P&L because if you talk of 200 people, then it's not in the interest of because it's their stores, we are just providing them support from our side. But the overall that gives, I mean, we can see the numbers since beginning. Now the numbers are almost doubled on all the GASes which are there for a couple of months and Titanium is giving them a big edge. So, their earning is increasing, but specific number, I mean, we have not yet done because this is not into our, you know, this is their GAS, and it is not owned by us. So, we don't go into their statistics.

Rohan: No, I get that. I am not asking from their point of view. I am asking amount of what you are selling to them.

Deepak Joshi: Yes, so if you talk of our, I mean, when they started like the older ones, when they were buying like in a month, they were able to do 4-5 cars. All of them are jumped kind of like 15-20 cars a month, right? So, if you see like 200 people, then you multiply with all those numbers, that numbers is quite increasing. That's our strategy actually to grow. I mean, we are creating our market by creating a secondary market. We are not pushing our dealer distributor, but we are creating a market from the ground. So, that's why we are seeing these kind of results.

Rohan: So, this was for the GAS, the 4-5 cars to 15-20 that you are doing right now for a month?

Deepak Joshi: Yes.

Rohan: And what's for the OEM? Like if you can share some ballpoint number?

Deepak Joshi: See, for OEM, I think it's a kind of, like I would say, it's some information which is very strategic and confidential in nature. Because we have seen, I will just give, it's quite open that like the Company is really doing good overall. And there are like our peers, competitors who are coming out with lenses like what we are doing great, what can be done. So, that's why we are restricting our strategies to top level only, right? But I can assure you like OEs, like we have the one which has like, if they were buying like 100-200 to start with, they are again 400-500 kind of numbers and that numbers will increase. And we have now more OEs with us, but again, we can't share the names because of the confidentiality.

Rohan: Completely understand. That was from my side.

Moderator: Thank you. Next question is from the line of Punit Mittal from Fort Capital. Please go ahead.

Punit Mittal: First, a data point. What was your overall growth in the SCF category this year?

Deepak Joshi: We have shared in the presentation. Just a second. I mean, to be precise, we are just looking at the presentation. We know that. Yes.

Pradeep Mehta: Growth in SCF?

Deepak Joshi: SCF, yes 67%, I think.

Pradeep Mehta: You are talking about quarter on quarter?

Deepak Joshi: Yes, you are talking of Q-on-Q basis, right?

Punit Mittal: No, no, I am talking of full year.

Deepak Joshi: Full year?

Punit Mittal: Yes.

Pradeep Mehta: Yes, 67%.

Deepak Joshi: It was 67%.

Pradeep Mehta: The full year growth is around 3% on sun control film business. And earlier number was quarter-on-quarter means if you compare on Q4, FY '24 versus Q4, '23, there is a significant growth.

Deepak Joshi: The reason I will just explain. As we said, we are back. Q3, the inventory impact went away. And Q4, we are back with what we expected. So, that's why we have seen a 67% big jump into quarter versus last year quarter, right? And overall, it shows around 3% in the annual basis.

Punit Mittal: But that means that we are in the traditional like our older products of sun control film, we are still down because we have introduced new products this year and that has also contributed to some revenues. So, our traditional SCF business is probably still down. Is my understanding correct?

Deepak Joshi: No. So, that's what I was trying to explain, that if you see the Q1 and Q2 last year, it was really down on sun control, mainly because the inventories which we supplied the previous year, they were like almost 1.5 to 1.8 times what it was required by the market. That impact you will have to go to kind of COVID areas when, COVID times when there was like shipping times from India to U.S. went as high as 75 days from current 35 days, right? So, a lot of inventory was on waters and there was a scarcity of the product. So, people ordered much more.

This phenomena not only happened to us, it happened to Walmart, Costco and everyone because everything was same, like everybody ordered from India, China and the shipping time went as high as 75, 80 days, and that there was a scarcity of material. So, people ordered more. And as soon as the situation got corrected, there was sudden burst of material which was like 40 days net inventory which was on water, it landed there.

At the same time, they ordered more in expectation of high demand, and at the same time of low supply from the supplier, everything went there, and that, actually, the last first two quarters went away to liquidate those kind of inventories. So, that's why the order flow from our side remained low by the customers. So, this situation kind of went corrected in Q3 and it came back with the full force in Q4. So, that was the situation. Otherwise, the kind of like sales we have seen it has returned and it will continue in the same territories.

Punit Mittal: Now the second question is that if you look at Xpel, they were traditionally a technology Company and their biggest advantage still today is the software that they have, which has the exact dimension and model of every car out there. And they are able to cut the PPF to the exact dimension for the car, which essentially is also why a lot of applicators use them.

So, Garware, since we are also selling our own brand name overseas and within India, in terms of this software or technology of how to use the PPF or cut the PPF to exact dimension, what are we doing? Do we have in-house technology or we are outsourcing from somebody? If you can just explain a little bit there would be helpful.

Deepak Joshi: So, we have tie ups with certain companies in USA because USA almost all the application are done with the plotter software, right? So, that's why we have a tie up with the Company. So, we sell our product with those software. So, they have got almost the similar features what the Company Xpel has. So, similar features, but the revenues of course is whatever Xpel is doing, that is with their software world around and we have seen those revenues, right? So, Garware also, I mean, we are working on couple of things in that. So, in coming quarters, we will be able to give a detail on that. We have the software and we are using that to our advantage.

Punit Mittal: And you are using the same software in India? I am just asking the same, whether using the same software in India as well.

Deepak Joshi: So, we are using some of the pre-cuts for some of the markets, some of the particular vendors in India, and it will be commercialized very soon. I mean, full, it's on a low scale, but we are doing because pre-cuts help us to reduce the time and the cost of the product.

Moderator: Thank you very much. Next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Sir, we are planning to spend, I think, Rs. 125 crores on the new PPF line. So, what kind of revenue we are anticipating that, whenever that come up at optimum level?

Deepak Joshi: Yes, it is the same capacity, same line. So, we expect the same revenues of Rs. 350 crores, but that takes like first year it goes with a certain kind of capacity utilization, and two to three years it will go to full. So, that's what the expectation is. So, full scale, it will go to around Rs. 450 crore.

Mahesh Bendre: Sir, even if you assume Rs. 350 crores of revenue from that whenever it stabilizes and 20% kind of margin, so ROCE will be in excess of 50% to 60% in this new venture. Sir, we are spending around Rs. 150 crores and we are going to generate Rs. 350 crores of revenue, maybe whenever 2-3 year down the line. So, if we assume 20% kind of margin in that since it's a high value-added product, so the ROCE will be what? I mean, in excess of 50%.

Pradeep Mehta: No, no, it will not be like that. We will not comment on the margin side, but it will be not 50%.

Mahesh Bendre: Sir, out of Rs. 350 crores of whenever revenue, even if we assume 20% of margin, Rs. 70 crores of revenue profit, EBITDA level with Rs. 150 crores of investments, like almost 50%?

Deepak Joshi: Yes, it will be, but going forward, yes.

Mahesh Bendre: Yes, going forward. I am not saying right now. Whenever that will happen, maybe 2-3 year down the line will stabilize the situation, but incrementally the ROCE will be very high in that case.

Deepak Joshi: Yes, later on it will be high. You are correct actually.

Mahesh Bendre: And sir, one question. I mean, last time also we discussed. Our numbers and profitability growth has been, all things have been fine. Only our return ratios are depressed simply because gross block is high because of revaluation and all this stuff. So, is there any way we are planning to do anything to improve the return ratios going forward?

A. Venkataraman: See, one is, as you rightly observed, the revaluation results is nearly, I think last call also we explained, is almost Rs. 765 crores. So, that is why if you can take it, the turnover ratio has come down quite a bit because of that. But considering profitability, considering the new investments that is coming up, we foresee a very good improvement in turnover ratio as well as returns. But it will take some time. As explained previously, the PPF full utilization may take 2 to 3 years.

So, once these new investments start fetching returns, we could see a considerable improvement on returns as well as on the asset turnover ratios.

Mahesh Bendre: And last question from my end. Sir, based on current capacities, sun control films and PPF, what kind of revenue we can generate from the existing setup?

Deepak Joshi: So, we have given the guideline on full utilization basis. It's Rs. 500 crores from the new investment and when it goes full, so it is almost running towards that. So, we are expecting like overall to go, to cross like Rs. 2,000 crores for sure and the guidance about FY '26 which we maintain around Rs. 2,500 crores.

Moderator: Thank you. Next question is from the line of Shrinjana Mittal from RatnaTraya Capital. Please go ahead.

Shrinjana Mittal: So, I had two questions. One was on the PPF side. So, if we see this quarter's run rate, sir, it's about Rs. 110 odd crores, which has come down a little bit from the last quarter's run rate, which was around Rs. 160 odd crores. So, can you explain the reason for the drop? Like, is there some seasonality or is it because initially we were adding some distributors, so the effect of which has now reduced? Can you just throw some light as to what would be the stabilized run rate and what was the reason for the drop?

Deepak Joshi: So, actually in PPF, like everything, I think, when we talk of these numbers, quarter-on-quarter, it's not the right judgment. See, what happens sometimes, more inventory goes. I mean, the orders are there for coming months.

So, if it happens like it got dispatched because of urgency and all those things, they make a little difference on that. But if you see like there was, of course, Q3 has been very strong on PPF and Q4 sun control has done outstanding by growing 67%. This is a balance between these two because some fungible capacities are being used for PPF.

Now we need full sun control. So, we have shifted to other capacities, which will start kicking in from the next quarter. I mean, with all likelihood, we are saying we don't lose any orders because of capacity, but there is always adjustment on a quarter-on-quarter basis, like which business goes more, and there is this balance is there.

And in PPF typically we have seen Q2 and Q3, people tend to buy more because then the focus shifts towards PPF. And in Q1 and Q2, the focus shifts towards sun control. The reason is sun control is a seasonal business whereas PPF is all around, but the efforts and energy and the money which is put on PPF goes more towards Q3, Q2, Q3 towards. Because this is basically handled by similar people, like the distributor are same. So, they have to plan their inventory.

Like, if I talk of our distributor in India, so they tend to buy too much of sun control during peak season because it is like the hottest selling product, whereas all the money or whatever resources they us, they use for sun control. When it goes little down because of the seasonality, like rainy season it will definitely go down. During that period, people tend to buy more of PPF and stock them.

Shrinjana Mittal: So, there is some element of seasonality also. Understood.

Deepak Joshi: Yes.

Shrinjana Mittal: And the second question I had was on the architectural series also, currently what are the sales that we are doing? In this year particularly how much was the sales that we were able to clock?

Deepak Joshi: See, we are trying to now restrict like for the competitive advantage, I mean, we have, we do not want to go into like these segments in a very particular way because as I said, I mean, the information is being like closely watched by competitors and peers. So, I can say that this we have grown like around 25% to 30% in FY '24, but this year we are taking a target of more than 50% growth in architectural segment. We have budgeted it that way. So, overall, you will see a jump in sun control business and that will be the portion of that will be from architectural segment. That was untapped for us. So, we are trying to put, we are putting all efforts towards that direction.

Moderator: Thank you very much. Next question is from the line of Aman Saifee from iWealth Management. Please go ahead.

Aman Saifee: Sir, I just want to understand from the capacity utilization front. When you say that your new capacity will be commissioned in FY '26 and you are already at an optimum capacity utilization with the current capacity, sir, is it that this year there won't be any growth in PPF or is it that your capacity is fungible across SCF and PPF?

Deepak Joshi: Yes, so our capacity is fungible not everywhere but under certain lines. So, till the new line is commissioned, we have debottlenecked one line which is able to produce beyond capacity of PPF. So, the kind of order flow will be there, it will be catered from there, and there is an impact of seasonality also when like sun control, like I just explained in the previous call.

So, that will be like it's a combination of both because the selling point mostly are common. So, that element works here. So, we will be able to cater the demand whatever comes from the market by fungible capacity and looking into the current flow of sun-control films, we will be like till in the season, people will be more focused towards sun-control films.

Aman Saifee: And sir, just one last question. As our majority of the business is on the export side, almost 70% to 80% of our business is export, are we experiencing any issue from the Red Sea impact, long delivery times or anything on the freight cost?

Deepak Joshi: There is a freight cost increase, but that is very minimal. It is not like we experienced in 2021-22 when COVID was there. So, there is a marginal increase and lead time has increased by 10 to 15 days because people are avoiding to go from Egypt and Red Sea or something. They are crossing the sea and going there. So, that has an impact of around 10 to 15 days. But that we proactively gave guidelines as soon as it started to our customers that you may experience a delay of 15 days because of that and slight price increase, which has been taken care of.

So, if you ask me the impact, I will say no impact for financial performance. Of course, there is a lead time increase, which we have taken care of. So, we have proactively started supplying to the customers so that they do not go out of the product.

Moderator: Thank you. The next question is from the line of Bharat Mani from Moneybee Investment Advisors Private Limited. Please go ahead.

Bharat Mani: So, my first question is on the TPU side. So, TPU, which is a major cost for the films, which costs around 25% of the films, so are you doing some kind of R&D for making it in-house for further backward integration?

Deepak Joshi: This is very sensitive information because, you know, we have long-term contracts with our suppliers and all. Any such kind of information may lead to, I mean, it's again very sensitive information which we will not be able to diverge at this moment.

Bharat Mani: So, my other question would be, can you just tell me this quarter how much was the white level in the own brand mix?

Deepak Joshi: White level versus our brands. Right?

Bharat Mani: Yes.

Deepak Joshi: Typically, we keep it 50-50, but we saw a big jump from some big players. So, we can say it's a 60-40. Like 60% towards white box and 40% towards us.

Bharat Mani: And can you still give the capacity utilization of the new lamination line that you have?

Deepak Joshi: So, new lamination line of like if you talk of recent months, that is close to, I can say, 60% to 80% it's going.

Moderator: Thank you. The next question is from the line of Shreya Jain from Niveshaay Investment Advisory. Please go ahead.

Shreya Jain: First of all, congratulations on a great year. I wanted to know more about the GAS business model. Like, how does Garware gain from GAS sales? Like, is it a fixed percentage or a fixed amount that we get? As you said, it was a franchise model. So, how do we gain from every new store opening?

Deepak Joshi: So, first of all, how do we get benefit is like recently whatever GASes we have opened, so we get orders from them which, I mean, city like I will tell you from the background, like how we were able to penetrate in India market. So, the story was there were hardly any applicator in the market and there were like 200-300 rolls being sold by the top manufacturers in India. So, practically there were no place where PPF can be done. If you want to do a PPF in your car, how much you can afford is secondary. First of all, there should be a facility where you can do your PPF in an environment which is dust free, right, with clean room as we call it.

And second thing is, there has to be an applicator, which is very important because such an expensive product. And when we do that, you need the third parameter, which is, if the car is not coming straight out of the showroom, then you have to remove like your handles, you have to remove some headlights and all those things. So, this is very highly skilled job, right?

So, all three things make it a very difficult proposition if you talk of the operation purpose. So, what Garware did is, we have trained in over a period of time 700 applicators who are like our army into the market. Now about the space and all, how do we do?

So, that's the advantage when it comes from GAS, like we have opened in the city like, for example, X city. So, there is no application studio, there is no applicator and there is no facility of doing the third thing which is removal and fitment, right? And there is buffing, polishing, everything, cleaning is also involved.

So, GAS is a perfect location where we give our corporate identities and designs like what they need to do. And we also provide trained people like that salaries and everything is taken care by them. But we provide full support, and this model is increasing our sales to secondary and tertiary cities in a great way.

Shreya Jain: My second question was regarding PPG. So, PPG has launched a technology last year which would integrate paint protection layer directly into the paint, and they will sell it to OEMs for automobiles. And it has been getting a good response. So, I just wanted to know do you see this as a threat to our product? Will this eliminate the use of PPF entirely in future maybe?

Deepak Joshi: Yes, but, I mean, you have said it has got a good response. May I know what kind of good response it has got? Means had it been implemented.

Shreya Jain: Yes, so according to PPG, they have been getting a good response. I just went through their website. So, I just wanted to know that...

Deepak Joshi: I am sorry to say that, because this was actually, there was a clarification and I meet many people. I am in U.S. for next whole month, and I meet like everywhere, go everywhere, meet people. And as per the market information, there is no such thing like a layer of paint which can be, in fact, if you know, PPG also has a PPF plant which they produce and trying to sell more and more. So, as of now, there is no paint technology which can be directly applied to that. So, there was some, like, I would say, as of now it is not clarified by the sources like what it is. I mean, the current status is, there is no such product in the market.

Moderator: Thank you. The next question is from the line of Sudhir Bheda from Bheda Family Office. Please go ahead.

Sudhir Bheda: And I must say that I am a customer also and shareholder also. The products are very, very fine and very useful. And also, this Company is now becoming a kind of FMCG Company, I believe.

Deepak Joshi: Thank you for your appreciation.

Sudhir Bheda: So, almost all the questions are answered I think in our previous all the questions. But the one question that I would like to know, so is it the correct understanding that by FY '26 we are going to reach a Rs. 2,500 crore and more or less kind of EBITDA what we have clocked in right now, that will also be, you know, we will be able to achieve? Is it the right understanding?

Deepak Joshi: Yes, we continue, we maintain that guideline for FY '26, and also the margins, I mean, EBITDA margins are going to be stable at that number. We will try to improve, in fact, as a Company.

Moderator: Thank you. The next question is from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth: I think most of the questions have been answered. But one remaining question, sir, is, there seems to be a lot of cash on the books and with the kind of money the business is throwing annually, that cash only will continue to grow. The dividend that got declared is again very small amount relatively speaking. So, what are the plans for distributing this cash on the books? Are we looking at any kind of buyback down the road?

A. Venkataraman: Sir, actually what you said is right. We have cash of Rs. 388 crores on hand. So, what we are planning is we have this CAPEX plan what we discuss PPF almost Rs. 125 crores. This year we need to spend, '24-'25. And as of now, we don't have any plans for buybacks, and also any dividend hikes in the immediate term.

Deepak Joshi: Yes, but just to add to Mr. Venkat is that we are continuously, like we said, maintained last time that we are really committed to maximizing shareholder value. So, for that, we are seeing a lot of opportunities with the efforts we are doing like Mr. Bheda prior to this, your call, he mentioned that we are trying to become a FMCG. Actually, the idea is to penetrate every nooks and corners of India and make a kind of world factory with world-class products for the world, for the global market. So, in line with that, we are again continuously looking for opportunities, like the one which we have announced now. And similarly, we will be continuously looking to expand ourselves, but with a proper due diligence and studies. So, we are committed to that. So, these all will be utilized in that way.

Prit Nagersheth: Sir, I agree with the growth that you are projecting here, but my point being that the business itself is now going to generate Rs. 250-260 crores of cash every year and that's only going to grow. So, that would be sufficient to take care of the expansion plan that you outlined at present.

My only point being that the cash that we have on books would be better utilized by sharing it with the shareholders. That's the only point I am making.

Deepak Joshi: No, we are actually on that, like I said, we are evaluating opportunities also in the market and we are ready for that. So, we are actually, as we speak, we are evaluating many opportunities where we can grow, like we can be inorganic. We can show inorganic growth also from the current set of what we have.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth Advisors LLP. Please go ahead.

Rahul Jain: Sir, with regards to this marketing expense, so basically you are mentioning our presentation, there is a nice slide with regards to the EBITDA bridge. So, for FY '24, there is a Rs. 28 crores incremental which has gone in the marketing side, sales and marketing. So, two parts to it. One is, so total, the absolute number if you can share, what number we have spent on sales and marketing for FY '24? And what is the expectations or typically for the coming year FY '25 and FY '26, what is the budget with regards to the marketing spend? Sales and marketing spend?

Deepak Joshi: So, sales and marketing expense, like in the EBITDA bridge, it's quite clear that we have spent Rs. 28.3 crore, right. So, that is the absolute number which we have spent and on that, there was an advisory Company who did a great job working with us, right. So, as we speak, I mean, the services are, I mean, till last quarter, till the quarter Q4, they were there. Now we are evaluating on that. So, as a budgeted number, we have kept the same because we are trying as I explained previously.

So, that kind of awareness, people are now viewing a Company which is Make In India, but on certain segments we were not visible, like, say, for example, architectural segment, there was this kind of issue. So, we formed like every month we are doing one or two big meets there. We are participating on kind of architectural meets. Then we are putting our ads into digital media plus some home decor books also. So, we are creating a lot of buzz there. So, that's why we have kept our aggressive sales and marketing budget for this year.

Another thing is whatever GAS we open, we do aggressive campaign in their support localized digital media support we give to them. So, there are a lot of, I am saying there are hundreds of events which we are planning to do. So, that's why sales and marketing is a big enabler for our growth and we have kept the same numbers for this year as well.

Rahul Jain: Just to clarify, so, Rs. 28, 29 crores is the number for sales and marketing for FY '24 and we will be somewhere at Rs. 28, 30 crores for the next year also. Correct?

Deepak Joshi: Yes.

Rahul Jain: And sir, the second question is on the IPD division. So, for the last 4, 5 quarters, IPD division has not done well, and the margins or the losses over there probably have dented the overall margins of the Company in spite of a very exceptional growth on the specialty side. So, if you can share in IPD division, typically, what were the peak margins and what have been the somewhere probably this Quarter 4 or the previous Quarter 3 where it was at the worst level, if you can share some kind of ballpark range or which can have some understanding for us? And what are the normalized IPD margins?

Deepak Joshi: I am sure, I mean, I know where you are coming from, but you know what happens is for a Company which is mainly into commodity or packaging, there it's very easy to give the absolute number, right. But for us, since our product mix keeps on changing month-on-month basis, so there was actually, if I talk on absolute number for FY '23, it was 18.48. So, on an operations basis, like gross margin was around 18.48%, which dropped to 17.88% in FY '24, right? But that is like a mix of product mix makes lot of changes in that. But what we have done, we have added, like changed some products and we got some new avenues for us in North and South America and where we are expecting this margin to improve even from the '23 level. So, it is going better as we speak.

Rahul Jain: So, you are saying it was somewhere around 18.8% in FY '23, the gross margins in IPD division, right? Is that what you mentioned and which fell down by about a 100 basis point in FY '24?

Deepak Joshi: The thing is, because the numbers are quite mixed here, so let us not go into that particular...

Rahul Jain: No, no, I do not understand. I am just trying to understand. So, at peak level, say in FY '21, when Company had an overall EBITDA margins of around 22% in FY '21 and 18.5% in FY '22 operating margins for the Company level. At that point of time, IPD was doing well and specialty proportion was much lesser. So, at that point of time, IPD must be doing what, 20% plus gross margin, is that a correct understanding?

Deepak Joshi: Yes, it was doing that level because across the industry it was there. But this, if you see, particularly it was not good in FY '24 level because of a very used overcapacity.

Rahul Jain: No, no, I get that. My question was basically, going ahead, assuming, of course we don't know, but assuming say maybe in FY '25 in the second half or say FY '26 as a whole, the gross margins of IPD go back to say, move up by around 2.5% or 3%. Then will the overall Company margins also move up in the tandem or will you use that additional profits from IPD division to probably increase your marketing spend and branding spend?

Deepak Joshi: No, no, actually in marketing spend, we have already kind of budgeted. So, whatever gain from IPD side will add to the value or directly to the Company.

Moderator: Thank you. The next question is from the line of Harsh Mulchandani from Kriis Portfolio Private Limited. Please go ahead.

Harsh Mulchandani: Most of the questions are already answered. I just have one question on capacity utilization. You mentioned that we are at optimum capacity utilization and for PPF basis the previous quarters we were already at a higher level and now seeing SCF also picking up, we will still have an opportunity to debottleneck and manage the growth for the coming year because FY '26, we will see the CAPEX for PPF. So, just want to understand that we have sufficient capacities to grow 20%, 30% for the coming year.

Deepak Joshi: Yes, we have headroom. Like we said, like in the peak season, currently we are running 60% to 80% on new lamination line. So, there are many, like we have five lamination lines, and those lines are utilized based on the kind of product, right. So, we have like as per our estimates, we have headroom to grow both in PPF and sun control before the new line, until the time the new PPF line is commissioned.

Moderator: Thank you. The next question is from the line of Karthi Keyan from Suyash Advisors. Please go ahead.

Karthi Keyan: Couple of clarifications, sir. Partly you answered this, but I just would like some elaboration on this. You know, when we launched the PPF film, you talked about relatively low backward integration, and you talked about several initiatives to improve on that score progressively over a period of time. So, if I may ask you, where you have reached on that path? You talked about integrating several components in-house. So, some comments on that would be interesting.

Deepak Joshi: I apologize that this information is again we are holding back for some time, but as we speak, we are on that path and we like a Company, as we said, like 100% of the components of sun control are manufactured by us from top, bottom because we are there for last 30 years, right. In PPF, we are doing lot of, again, this will be pretty sensitive for our customers also. So, I won't be able to answer in this forum.

Karthi Keyan: But you are making progress. Is that qualitatively if you are able to comment on that?

Deepak Joshi: We have a team of 50 people in R&D who continuously work on all kind of things and there the leadership is very strong under Mr. Adsul and the entire team that there is a very strong momentum in terms of new products. R&D for each and every product, we have many variants for and we keep on doing that. And this is a testament like last year we launched so many products. Like, six, seven products we launched successfully in the market and getting a good response. So, this is one of the key area which we can't divulge like how much and till what we can do that.

Karthi Keyan: I appreciate that. Just another question, sir. You have under the two broad umbrellas of PPF and SCF, you have launched several categories of products, and the presentation is extremely elaborate in terms of the details. Just one thing. Would you say near term diversification be under the same umbrellas or are you also considering a completely new vertical, if I may use that term?

Deepak Joshi: See, one thing as guidance and the Company legacy under Dr. Garware, we are committed for backward and forward integration and that too will be very much, you know, that will be, I would say, in our core areas only, right? So, we won't go into something which is not related to our polyester business or PPF business.

So, yes, we are looking all in a way so to make it like I keep on explaining this thing, that we are not probably actually the only Company in the world which is fully backward integrated means we buy petrochemicals. Then we make our own resin. Then we make our own films.

These films then can be thermally laminated, can be metalized, can be deep dyed, can be go to different kind of laminating processes and can go to like many liners, these things plus our coatings are top coats everywhere and everything we manufacture.

Even in the countries, advanced countries like USA and in China, you will find people buying all those components from outside. So, Garware is the complete package, which is end-to-end manufacturing in-house, right? That gives us a very strategic advantage as compared to our competitors and very high quality because we can monitor and control whatever is required by our esteemed customers.

Moderator: Thank you. The next question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Just one quick question. The growth particularly in PPF but also in SCF, are you expecting that to be majorly volume driven or a mixture of volume and price?

Deepak Joshi: For growth is a mix of both because let me tell you very frankly, we can sell the product, we can full the line anytime with all the products, but when you talk of sun control, there are very basic single ply product means you just make a product and do like adhesive and small kind of coatings and then sell into the market whereas you find the Garware products, they come with lot of value addition to that. There are nano particles on that. There are many different kind of scratch resistant and all those coatings. So, the quality of the product, we pride in our value additions in the product.

So, we always try to focus and educate customers to use the products which are having high quality heat rejections and best-in-class light transmissions like without affecting any transitions and having the lowest possible absorption into the film. So, these are the parameters which we try to focus. So, of course, the more sales and marketing efforts are towards like the quality products which actually enhance the experience of the customer.

Parikshit Kabra: Will it be possible for you to give some kind of a breakup as to how much of the 30% growth would come from price versus volume?

Deepak Joshi: See, definitely it will be a volume only because we can't change our current mix with increase of the prices. So, there will be a mix of that. What I am trying to say is the volume will increase, but that will increase only in the high end products. That's what I meant to say.

Pradeep Mehta: Product mix.

Deepak Joshi: Product mix. We will do better product mix.

Parikshit Kabra: Overall price will be higher, right? Because the products are selling more.

Deepak Joshi: Product mix will be higher.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital Limited. Please go ahead.

Ankush Agrawal: So, just one quick question. So, for the full year FY '24, can you share how much of our PPF business was white label?

Deepak Joshi: You are talking specifically to PPF?

Ankush Agrawal: Yes.

Deepak Joshi: See, we maintain that number to 50-50 for us and the market. Like, there is some plus/minus 10% always happens. So, that is in line with that, like 60-40 or 50-50 or 40-60 in that case. We intentionally try to maintain our branding along with our big capacities which are the world's largest facilities to maintain our growth.

Ankush Agrawal: So, would you be able to qualify say on the white label side, the majority of the business is coming from say, how many customers, like 4 customers, 5 customers, 10 customers? Obviously, there would be a long tail of customers, but the majority would be driven by a limited set of customers, right?

Deepak Joshi: So, there would be a long tail of customers, but if I say like equally or distribution will be like around 10 customers who will be like pretty with the volumes, with the higher volumes.

Moderator: Thank you. The next question is from the line of Kashap Kartik from TableTree Capital. Please go ahead.

Kashap Kartik: I think most of my questions have been answered. The only question that I had, sir, was one of your global supplier cum competitor cum customer, recently had very bearish comments on the U.S. economy and the growth they are seeing in the U.S. and obviously China as well, right? And I am very pleasantly surprised to hear that you continue to maintain Rs. 2,500 crore guidance by FY '26 which basically implies a 20% growth, year-on-year growth, year-on-year from this year on.

So, from a U.S. perspective then, are you seeing the global brand or global brand sales or any white labeling sales that's slowing down or it's just the commentary from that particular player alone and we don't see any impact?

Deepak Joshi: See, when we talk, if we compare the numbers for the same quarter, which was his quarter one versus our quarter four, means Jan to March, you can see our performance has been robust and that will continue. However, there were concerns on, I could see even the Tesla's commentary, and then Xpel commentary, then some other people have these things, but the good thing about us like we are a very wide range of products and they make up for one another. So, that's how we are maintaining our guidelines to be stable and the original guideline of Rs. 2,500 crore to be met by FY '26.

So, that is the reason, like we have a very wide variety, and we are seeing good growth on some segments. Intentionally put a lot of efforts to us as I mentioned about architectural segment and this thing. So, even on PPF, when I saw the guideline, there was a big drop in Q1 numbers from that particular customer, but they have given 8% to 10% guideline for the rest of the year. That means the growth is still coming to them. I just went to that guideline and that was also positive. Only thing is, they reduced it from 15% to 8% to 10%. Despite a big drop in Q1, they are still maintaining that 8% to 10% guideline for the year.

Kashap Kartik: And one last comment, sir. I know you have answered it before, but we have about Rs. 400 crore cash. Another Rs. 200, 220 crore or Rs. 240 crore will get added this year. So, you will end up at around Rs. 640 minus about Rs. 120 of CAPEX, right? So, you probably have more than excess of Rs. 500 crore cash at the end of next year. Request the board and the management to consciously think. I know there are a lot of sales, marketing and product development expense, but we continue to give Rs. 10 dividend year on year for many years, but our profits are double or triple, right. So, request the management and the board to consciously increase the dividend paying rate from Rs. 10 to at least Rs. 20 because you have Rs. 500 crore cash at the end of next year.

Deepak Joshi: Yes.

A. Venkataraman: We have noted your point, sir. We will come back to you.

Moderator: Thank you. The next question is from the line of Parv Jain from Niveshaay Investment Advisory. Please go ahead.

Parv Jain: Sir, just to clarify, you mentioned that we are dividing our department into architectural films and automobile films. So, within the consumer products division, we will be seeing that as three separate divisions like automotive films, architecture films and the PPF. Is that a fair understanding?

Deepak Joshi: Honestly, this is an internal division to create a big focus towards architectural segment. Like I said, we had yesterday also one conference of the West region. So, you know, because the business and SKUs are so big on architectural segment as well. So, we have divided the team to put dedicated efforts towards sales and marketing of architectural segment.

So, we will continue to show CPD and IPD, but we will let you know the performance like how that is doing, but absolute numbers won't be, I mean, we can't give absolute numbers. Again, there are a lot of information which we will try to keep for it's a good value for you guys also that we will continue to grow without giving our competitive advantage away from us.

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

Aman Vij: My first question is on PPF domestic business. So, given now we have this Titanium range, and this will be now available for full year, what kind of growth do we see for PPF domestic this year?

Deepak Joshi: So, PPF growth, if you compare, we are keeping it at around 20% like the general guideline for all the, I mean, that will be in line with other product. Initially, there was a big jump because the base was low. Now we see around 20% growth with immediate effect, 20 to 30, I would rather say.

Aman Vij: This you are talking about domestic business?

Deepak Joshi: No, I am talking of overall. You are talking, you asked domestic? Yes, domestic business is, I mean, that we may be slightly above that.

Aman Vij: And even for overall on this big base of say Rs. 450 odd crore sale, we are expecting to grow 20% for the full year.

Deepak Joshi: Yes, we can. Yes, from there, it will be like somewhere around 20%.

Aman Vij: If you can give rough idea in terms of how dependent are we on U.S. and China market and even Europe market? So, out of our overall sales in PPF specifically, how much does U.S., China and Europe contribute? And in which market are you seeing strong growth for this year and which market there would be weak growth?

Deepak Joshi: See, overall, our sales, as we said, 46% of our total business is coming from North America, right. So, we can't say that we are not dependent. We are definitely dependent in a big way to North America business and that includes like even IPD business contributes good there and then CPD and, I mean, PPF and sun control all the businesses. But to be honest, we are not seeing the kind of concerns has been raised by the shareholders about special guidance to the U.S. market. We are seeing continued good momentum in that market.

China exposure if you really see, we have hardly any China exposure. Of course, we have like a big volume going to China from IPD division. But that is again, there is no decline on that. I mean, it's a steady business, which we are seeing for many years and there is hardly any, I mean, it's not percentage wise, it won't affect much to us.

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

Ankit Gupta: So, one question I had was on the CPD decision was that almost Rs. 1,100 crore revenue this year. So, out of that, how much is India contributing currently? And how do you see India growth over the next two to three years? We are just starting out in PPF. I think SCF also, this is the new product that we have developed for the automobile and architecture films launch. So, how much is it currently contributing India in SCF revenues, sorry CPD revenues and how do you see this segment over the next two to three years, especially for India?

Deepak Joshi: CPD in India. Just a second, I am just looking at the numbers. So, the current, if we talk, this is around 15% revenues on CPD division come from India. 85% is exported, right? However, that number, if we really see, was like much lower for India market. But again, with the outstanding growth from outside also, so actually we are growing on both ways. Like India has been outstanding, but at the same time we are seeing a continuous growth from other territories, and we have added like additional resources everywhere to increase that business.

So, we can say it will continue like 15%. Despite the good growth, it will because the other geographies also growing. So, 15% is the roughly we achieved, and it will continue to do so. And there will be a growth, definitely a big growth, but that will be offset by the growth on the rest of the world also.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. A. Venkataraman for closing comments.

A. Venkataraman: So, thank you very much for attending the call. Trust we clarified all your queries. If you have still any queries left out, please reach out to us through an email provided in the investor presentation file. Thank you very much. Have a great day.

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