July 05, 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 Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.
Trading Symbol: GRWRHITECH

Subject: Intimation of Credit Ratings under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Pursuant to Regulation 30(6) read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that CARE Ratings Limited has reviewed the rating of the Company on the bank facilities.

Please find below the details of the rating for the facilities of the Company;

Sr No	Facilities	Ratings	Rating Action
1.	Long term Bank Facilities	CARE AA-; Stable	Revised from CARE A+; Stable
2.	Short term Bank Facilities	CARE A1+	Reaffirmed

A copy of the press release and rationale issued by the rating agency is enclosed herewith.

Thanking You,

Yours faithfully,

For **Garware Hi-Tech Films Limited**

Awaneesh Srivastava
Company Secretary
FCS 8513

Encl.: As stated above.

Garware Hi-Tech Films Limited

July 04, 2024

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	149.01	CARE AA-; Stable	Revised from CARE A+; Stable
Short-term bank facilities	198.19	CARE A1+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings of the bank facilities of Garware Hi-Tech Films Limited (GHFL) is driven by improvement in business and financial risk profile, led by growing share in valued added business. Operating performance improved in FY24 due to strong y-o-y revenue growth of 16%, despite global economic pressures in FY24 and sustained healthy profitability marked by operating margins and return on capital employed (ROCE), which are expected to sustain going forward. The rating upgrade also factors in company's robust financial risk and a debt free profile, repayment of external term loans thus reducing the overall gearing to 0.02x as on March 31, 2024 (FY23: 0.15), coupled with strong liquidity position led by surplus liquid funds of Rs. 383.80 crores and nil working capital utilization. In the absence of large debt funded capex, GHFL is likely to remain net debt free going ahead while sustaining its profitability levels.

Ratings continue to factor in the company's established track record and extensive experience of the promoters in the plastic film industry, a state-of-the-art manufacturing facility managed by well-qualified technical team, and a well-established distribution network of ~5000 global tinters.

However, these strengths are tempered by profit margins susceptible to volatile input prices associated with key raw materials, which are derivatives of crude oil and foreign currency fluctuations. GHFL caters to end-user industries that are highly sensitive to overall growth and stability of the global economy due to dependency on the cyclicity of auto industry and government regulations.

CARE Ratings has withdrawn the rating assigned to long-term bank facilities of GHFL pertaining to outstanding term loans with immediate effect, based on the confirmation from the lender regarding nil outstanding against the rated facility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Further revenue diversification through high contribution from new and or high value-added products resulting in healthy revenue growth and healthy ROCE above 25% on a sustained basis.

Negative factors

- Large debt funded capex adversely affecting debt coverage and leverage indicators with gearing deteriorating above 0.50x and total debt to gross cash accruals (TD/GCA) increasing above 2.50x.
- Decline in interest coverage below 7.00x on sustained basis.

Analytical approach: Consolidated

To arrive at ratings assigned to bank facilities of GHFL, CARE Ratings Limited (CARE Ratings) has adopted the consolidated approach, consolidating two wholly owned subsidiaries of GHFL. Details of entities considered for consolidation as on March 31, 2024, are given in **Annexure-6**.

Outlook: Stable

The company is expected to sustain its strong business risk profile with healthy profitability levels and robust financial risk profile with net debt free position. The healthy cash accruals and strong cash and bank balances shall support its robust liquidity.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and long track record of operations

Promoted by the Late Padmabhushan Dr. Bhalchandra (Abasaheb) Garware and Dr. S. B. Garware, GHFL has an established track record of more than five decades of operations in the polyester film industry. GHFL is one of the premier sun-protection window film manufacturers with an extensive global distribution network. Owing to decades of experience of promoters, the company has expanded its product range and areas of operations over the years. While Chairman Dr. S. B. Garware and its next generation are fully involved in strategic decision-making and product development, they are well-assisted by a team of experienced professionals and a dedicated R&D team.

Integrated operations and ability to manufacture a variety of polyester films

GHFL's ability to produce and modify properties of more than 3,000 SKUs helps to adequately cater to diverse needs of its customers. To maintain the quality and consistency of polyester film products, GHFL had undertaken capital expenditure for integrating backwards. Through the chip-to-film integration, GHFL has developed a capability to customise properties of polyester chips beforehand to derive a desired variety of films and make them suitable for applications such as sun-control films, paint protection films, electrical grade, high shrink films and thermal lamination films.

Strong global brand and development of domestic market

GHFL’s international accreditations and certifications for different products namely European Chemicals Agency, EU Regulation and others have resulted in strong marketing of its products. The company has developed patented technology for manufacturing UV stabilised dyed films, making it one of the premier window film manufacturers globally. GHFL has developed a strong distribution network with presence in around 90+ countries through more than 5000+ tinters spread across the globe, insulating it from regional risks. According to the management, GHFL has a market share of 8%-10% globally in sun-control films. GHFL generated 77.6% revenue from export sales in FY24, higher than 67.1% in FY23, as the company has been focusing on exploring new markets. North America is the biggest market, with 46.4% revenue being generated there.
The company is also developing a niche market in India for their sun control film (SCF) and paint protection film (PPF) products. The company is currently targeting the B2C model by setting up Garware Application Studios (GAS) in Tier-1 and Tier-2 cities and has associated with more than 126 channel partners and 650+ OEM dealerships in India.

Constant scale-up in margin accretive value-added segment

Over the years, GHFL transformed itself from a high-volume-low-margin commoditised polyester film company with products catering mainly to the industrial applications, to a leading consumer product company with a major share in value-added margin accretive products. Value-add products portfolio mainly comprises SCF, shrink films, PPF and low-oligomer products, which are used in industrial applications. The share of value-added products increased from 48% of overall revenues in FY17 to 89% as on FY24.

Improved operating performance in FY24

The TOI in FY24 increased by ~16% to ₹1,692.09 crore (₹1,461.67 crore in FY23) driven by higher revenues from value-added segments. A higher focus on premium segments of SCF and PPF resulted in better sales value and margins. Segment-wise, PPF contributed 27% of revenues in FY24 (5% in FY23) while 38% was generated from SCF segment (44% in FY23), and 35% from Industrial Product Division (IPD) segment (51% in FY23). Increase in TOI is accompanied by stabilisation in profit before interest, lease rentals, depreciation, and taxation (PBILDT), which were 17.56% in FY24 (17.16% in FY23). The IPD segment, which recorded muted performance in FY24 impacted by oversupply, is expected to improve as price recovery has started in the segment and margins are expected to improve going forward.

Comfortable capital structure and strong debt coverage indicators

GHFL has repaid all its term loans in FY24, which has resulted in becoming debt free with debt remaining in the form of lease liability only. Debt coverage indicators such as TD/GCA and interest coverage improved to 0.08x and 25.23x (PY: 0.82x & 14.76x), respectively in FY24. Debt metrics is expected to improve further going forward as the company is earning stable profits and it has no plans for debt funded capex.

Liquidity: Strong

GHFL’s liquidity is strong, having a sufficient cushion available in its working capital limits with ‘Nil’ utilisation of its fund-based limits in 12-months ended May 2024. GCA stood healthy at ₹247.95 crore in FY24 with free liquidity of ₹383.80 crore as on March 31, 2024. It has no debt funded capex envisaged in the near-to-medium term, which further supports its strong liquidity.

Key weaknesses

Profitability margins susceptible to volatility in raw material prices and forex fluctuations

Derivatives of crude oil - Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG) are major raw materials for GHFL. Prices of these raw materials generally move in tandem with crude oil prices. Historically, significant volatility has been observed in the crude oil prices. In FY24 also, crude oil prices had lot of volatility majorly due to supply cuts announced by the Organisation of Petroleum Exporting Countries and its allies (OPEC+) and the Israel-Hamas war. Among other reasons, Ukraine's attack on Russian refineries and OPEC extending its supply cuts till mid-2024 have also dictated the movement of crude oil prices. Consequently, in FY24, average price of PTA and MEG for the company also remained volatile.

GHFL is also exposed to foreign exchange fluctuation risk on its sales (as export form ~77.6% of its total sales) and receivables. Though, it exports across countries, its currency exposure is limited to USD (largest exposure), EUR (Euro) and Great Brittan Pound (GBP). Owing to large proportion of export income as against miniscule foreign currency expenses, GHFL is exposed to foreign exchange fluctuation risk. However, GHFL manages this risk largely by availing forward contracts to hedge its purchases and sales.

Sensitivity of operations to government regulations and geography-specific risks

Given the environmental hazards of plastics, the poly-film industry remains sensitive to government regulations or actions that could negatively impact demand for GHFL's products. Regulatory risk specific to a geography also exist, including the imposition of regulations towards automotive films. The Government of India, Regional Transportation Office (RTO) had approved Sun Control Film for car as long as: (a) minimum visibility of 50% on the side window, and (b) minimum visibility of 70% for the front and back glasses are necessary. Australian states and territories demand the visible light transmission (VLT) level of approximately 35% on a light vehicle's side windows.

Environment, social, and governance (ESG) risks

Parameter	Compliance and action by the company
Environmental	GHFL ensures zero waste through innovations and treatments. They recycle processed water through effluent treatment plants and post Reverse Osmosis treatment in a state-of-the-art facility. Sewage Treatment Plants are also used to treat and reutilise 100% of domestic effluent for gardening. Through Rainwater Harvesting, GHFL is working at upgrading groundwater levels and land remediation to reduce consumption of water for gardening and plantation. Along with this, 100% of the treated water coming from the Reverse Osmosis Plant is used back in the system as fresh raw water. GHFL lowers its energy consumption sustainably by replacing existing lamps with LED lamps and existing motors with new higher energy efficient ones.
Social	GHFL has set up community centres to raise awareness among all age groups by conducting social, cultural, educational, and sports awareness activities that enable comprehensive development of an entire community. GHFL is associated with National Bal Bhavan to actively promote their 'Build the India of your Dreams with Values' programme. As part of the project, children at Garware Bal Bhavan participate in activities and campaigns that enable a giant step towards building the India of their dreams.
Governance	The company emphasises on fair, transparent and ethical governance practices as a prerequisite for sustainable growth. It has a strong legacy of adopting laws, regulations and good practices to enhance long-term economic value of stakeholders. The company has established codes of conduct, policies for prevention of insider trading and fair disclosures to regulatory authorities. Their goal is to ensure independence, accountability, and integrity in all dealings. GHFL's board comprises six independent directors of the total 11 directors on board.

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Financial Ratios – Non financial Sector]
[Withdrawal Policy]
[Short Term Instruments]
[Consolidation]

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Plastic products - industrial

Incorporated in 1957, GHFL is engaged in manufacturing polyester films, which are used in variety of end-applications such as window tint application, automobile paint protection films, packaging, electrical & motor and cable insulations, shrink film for label application, and architectural film among others. GHFL has been a leading exporter of polyester films and holds patented technology for manufacturing UV-stabilised dyed films, these products are sold under the brand name 'Sun Control Films' and 'Global Window Films' in domestic and exports markets. Key application includes automobiles, FMCG and commercial/residential buildings. GHFL's fully integrated (chips-to-film) manufacturing facilities are at Waluj and Chikalthana (Aurangabad, Maharashtra), where it has capability to manufacture Sun Control Films (SCF) of 4,200 lakh sq. ft. per annum, Paint Protection Films (PPF) of 300 lakh sq. ft. per annum, industrial application poly-films of 42,000 Metric Tonnes Per Annum (MTPA) and thermal lamination films 3,600 MTPA.

Consolidated Brief Financials (₹ crore)	FY23 (A)	FY24 (Abridged)
Total operating income	1,461.67	1,692.09
PBILDT	250.85	297.17
PAT	166.14	203.29
Overall gearing (times)	0.15	0.02
Interest coverage (times)	14.76	25.23

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	86.32	CARE AA-; Stable
Fund-based - LT-Cash Credit	-	-	-	62.69	CARE AA-; Stable
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	198.19	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)
2	Non-fund-based - ST-BG/LC	ST	198.19	CARE A1+	-	1)CARE A1+ (04-Jul-23)	1)CARE A1+ (07-Jul-22)	1)CARE A1 (06-Jul-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)
4	Fund-based - LT-Cash Credit	LT	86.32	CARE AA-; Stable	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)
5	Fund-based - LT-Cash Credit	LT	62.69	CARE AA-; Stable	-	1)CARE A+; Stable (04-Jul-23)	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Garware Hi-Tech Films International Limited	Full	Wholly Owned Subsidiary with strong linkages
2	Global Hi-Tech Films Inc.	Full	Step Down Subsidiary with strong linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Ranjan Sharma Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Hardik Manharbhai Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in Arti Roy Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3657 E-mail: arti.roy@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in