July 05, 2023

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 hereby inform you that based on rating assessment undertaken by CARE Ratings Limited, the Company's credit rating has been reaffirmed by CARE Ratings Limited.

Please find below the details of the same-

Sr No	Facilities	Ratings	Rating Action
1.	Long term Bank Facilities	CARE A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
2.	Short term Bank Facilities	CARE A1+ (A One Plus)	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**
(Formerly known as Garware Polyester Limited)

Awaneesh Srivastava
Company Secretary
FCS 8513

GARWARE HI-TECH FILMS LIMITED

Encl.: As stated above.

GARWARE HI-TECH FILMS LIMITED
(FORMERLY: GARWARE POLYESTER LTD.)

CORPORATE OFFICE :
GARWARE HOUSE, 50-A, SWAMI NITYANAND MARG
VILE PARLE (EAST), MUMBAI – 400 057.
TEL: 0091-22-6698 8000 (15 LINES) / FAX : 0091-22-2824 8155 / 66
WEBSITE: www.garwarehitechfilms.com

Garware Hi-Tech Films Limited

July 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	254.30 (Reduced from 396.73)	CARE A+; Stable	Reaffirmed
Short-term bank facilities	198.19	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the long-term bank facilities of Garware Hi-Tech Films Limited (GHFL) is based on the Company's robust financial risk management framework, a net debt-free profile for the past 3 years, a sustainable improvement in other debt indicators, coupled with strong liquidity position of ₹376.29 crores and Nil WC utilisation. The ratings have also factored in the improving business risk-return profile due to the premiumisation of product mix and diversification of geographies, which has enabled the Company to maintain an overall stable performance. The Company has increased its total operating income (TOI) by 10.4%, despite various global economic pressures. The ratings continue to factor in an established track record of the Company along with extensive experience of promoters in the polyester film industry, integrated manufacturing facilities, and a well-established distribution network of approximately 5,000 global tinters in 90+ countries.

The aforementioned strengths are, however, tempered by susceptibility of profit margins to volatile input prices associated with key raw materials which are derivatives of crude oil coupled with foreign currency depreciation. Furthermore, the end-user industries catered to by GHFL are highly sensitive to overall growth and stability of the global economy due to dependency on the cyclicity of auto industry and government regulations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the TOI above ₹2,000 crore on a sustained basis.
- Further revenue diversification through high contribution from new and or high value-added products on sustained basis resulting in PBILDT margin above 20%.

Negative factors

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

Analytical approach: Consolidation

To arrive at the ratings assigned to the bank facilities of GHFL, CARE Ratings Limited (CARE Ratings) has adopted the consolidated approach wherein the two wholly-owned subsidiaries of GHFL have been consolidated. The details of the entities considered for consolidation as on March 31, 2023, are given in Annexure-6.

Outlook: Stable

CARE Ratings has given stable outlook to the facilities of GHFL on account of established export markets for SCF and PPF, along with relaxation in government norms for car window films in the domestic market, coupled with the stable financial performance and a strong risk-return profile. Under the experienced leadership of promoters and a professional management team, Company continues to showcase a robust liquidity position, healthy profitability indicators supported by an improved product mix, prudent working capital management and continued focus on value-added products.

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

Detailed description of the key rating drivers:

Key strengths

Experienced promoters and long track record of operations: Promoted by 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 the 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 the diverse needs of its customers. In order to maintain the quality and consistency of various polyester film products, GHFL had in the past undertaken capital expenditure for integrating backwards. Through the chip-to-film integration, GHFL has developed a capability to customise the properties of polyester chips beforehand to derive a desired variety of films and make them suitable for various applications like sun control films, paint protection films, electrical grade, high shrink films and thermal lamination films.

Strong global brand and development of domestic market: Backed by international accreditations and certifications for different products - namely European Chemicals Agency, EU Regulation, and others - GHFL has developed strong brands and presence in the global market. The Company's patented technology for manufacturing UV-stabilised dyed films makes it one of the premier window film manufacturers globally, which is supported by a strong distribution network in 90+ countries. The Solar Control window films are sold under the brand name 'Global Window Films' registered in USA and 'Garware Sun Control' in domestic and export markets. In the Sun control film segment, GHFL has 2^{nd} largest global capacity and 3rd largest branded player in USA and European markets. While the Company's exports were more than 70% of its revenue in FY23, it is developing a niche domestic market for its SPF and PPF products.

Continuous scale-up in margin accretive value-added segment: Over the years, GHFL has transformed itself from a high-volume-low-margin commoditised polyester film company catering mainly to industrial applications, to value-add margin accretive speciality films company catering to direct consumers. The speciality films portfolio mainly comprises Sun control films, shrink films, paint protection films and low oligomer products. The share of value-add products of the Company has increased from 48% of overall revenues in FY17 to 80% as of FY23. Going forward, focus on value-added products would continue to drive both top-line and bottom-line growth for Company, unlike commoditised products where margins are unstable, market-driven and susceptible to raw material price volatility. SCF and PPF are flagship businesses for GHFL, contributing 49% of revenue in FY23. The sustainability of margins during global slowdown will be key monitorable.

Comfortable financial structure and debt coverage metrics: Higher retained earnings on the back of a healthy financial performance strengthened the net worth. Further debt reduction with repayments and prepayments has improved the overall gearing going from to 0.15x as on March 31, 2023 (PY: 0.23x). Furthermore, the debt coverage indicators like TD/GCA and interest coverage improved to 0.82x and 14.76x (PY: 1.01x and 13.86x, respectively), respectively, during FY23. The debt metrics are expected to improve further in FY24, as the company has moved towards net debt zero. No further debt-funded capex is indicated.

Key weaknesses

Susceptibility of profitability margins to volatility in RM prices and forex: Derivatives of crude oil - Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG) are the major raw materials for GHFL. These raw material prices generally move in tandem with crude oil prices, which have shown signs of moderation, especially after the peak in June 2022 led by the sanctions on Russia and the unrest caused by the war. The imports from Russia have decreased and crude oil prices have witnessed lesser volatility towards the end of 2022. Additional factors, such as supply cuts from Saudi Arabia and high Russian oil flows, coupled with increased US production alongside fragile demand, have further dampened the oil prices. GHFL is exposed to foreign exchange fluctuation risk on its sales (as export form around 70% of the total sales) and receivables. Though it exports to various countries, its currency exposure is limited to USD (largest exposure), EUR (Euro) and Great Britain Pound (GBP). Owing to a large proportion of export income as against the minuscule foreign currency expenses, GHFL is exposed to the foreign exchange fluctuation risk, which is, however, covered by hedging against forward contracts.

Exposed to sluggishness in economy and global macro factors: GHFL’s products are mainly used in industries like automobiles, packaging, architectural, solar control, electrical and thermal insulation, etc., which are correlated to overall growth and stability of global economy, any downturn can impact the growth outlook of the company in short to medium term. Product realisations have also fluctuated in the past depending on the demand-supply scenario. The global economy has been facing challenges on various fronts. Notably, the Russia-Ukraine war resulted in a spike in commodity prices, supply chain disruptions and inflationary concerns. Many economies have witnessed aggressive monetary policy tightening and fear of slowing economic growth.

Sensitivity of operations to government regulations and geography-specific risks: Given the environment hazards of plastics, the poly-film industry remains sensitive to any 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) as 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.

Liquidity: Strong

The liquidity of GHFL is strong having a sufficient cushion available in its working capital limits with 'Nil' utilisation of its fund-based limits during last 12 months ended May 2023. The GCA was healthy at ₹203 crore during FY23 and cash balance of ₹59.98 crore and unencumbered liquid/ST mutual funds of ₹316.29 crore further support the liquidity. Expected GCA for FY24 is around ₹250 crore as against CPLTD of ₹98.73 crore (along with prepayment of Rs. 25 crores), which reflects a comfortable position. There is no debt-funded capex envisaged post commercialisation of the new line. The management articulated that they would continue to maintain the liquidity levels along with net debt level at zero.

Environment, social, and governance (ESG) risks: Regarding the environmental risks, Shrink Films are considered to be more eco-friendly packaging materials when compared to glass, metal or cardboards mainly due to its recyclable property. Bio-polymer based shrink films are the alternative environmental friendly materials that are made from compounds that bio-degrade and compost. PPFs generally have a usage life of almost a decade, and can be reprocessed and reused afters its usage life. Regarding the social risks, GHFL has taken initiatives towards clean water, employment enhancing skill development and women education along with CSR activities to cultivate hobbies to 400+ school children. The company has emphasized on fair, transparent, and ethical corporate governance practices as a perquisite for sustainable growth. It has a strong legacy of adopting laws, regulations and good practices enhances the long-term economic value for stakeholders. The company has established codes of conduct, policies for prevention of insider trading and fair disclosures to regulatory authorities.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Policy on Withdrawal of Ratings

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

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (Abr.)
Total operating income	1,002.41	1,318.37	1,461.67
PBILDT	231.94	252.89	250.85
PAT	125.95	167.18	166.14
Overall gearing (times)	0.29	0.23	0.15
Interest coverage (times)	11.84	13.86	14.76

A: Audited; UA: Unaudited; Abr.: Abridged; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	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/ PC/PCFC/EBD		-	-	-	149.01	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	31.03.2024	21.12*	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	31.08.2025	44.55*	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	19.05.2025	39.62*	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	198.19	CARE A1+

*Outstanding as on May 31, 2023

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	21.12	CARE A+; Stable	-	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)	1)CARE A; Positive (28-Sep-20)
2	Non-fund-based - ST-BG/LC	ST	198.19	CARE A1+	-	1)CARE A1+ (07-Jul-22)	1)CARE A1 (06-Jul-21)	1)CARE A1 (28-Sep-20)
3	Fund-based - LT-Term Loan	LT	84.17	CARE A+; Stable	-	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)	1)CARE A; Positive (28-Sep-20)
4	Fund-based - LT-Cash Credit	LT	86.32	CARE A+; Stable	-	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)	1)CARE A; Positive (28-Sep-20)
5	Fund-based - LT-Cash Credit	LT	62.69	CARE A+; Stable	-	1)CARE A+; Stable (07-Jul-22)	1)CARE A+; Stable (06-Jul-21)	1)CARE A; Positive (28-Sep-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various 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 the lender wise details of bank facilities please click here

Annexure-6: List of Subsidiaries

Name of Entity	Extent of consolidation
Garware Hi-Tech Films International Limited	100%
Global Hi-Tech Films Inc.	100%

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Pulkit Agarwal Director **CARE Ratings Limited** Phone: +91-22-6754 3505 E-mail: pulkit.agarwal@careedge.in Arti Roy Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3456 E-mail: arti.roy@careedge.in Harneel Desai Analyst **CARE Ratings Limited** Phone: +91-22-6754 1567 E-mail: Harneel.Desai@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