GARWARE HI-TECH FILMS

November 11, 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 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 ended September 30, 2023, held on November 10, 2023.

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 November 10, 2023 at 1:30 p.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: 2023.11.11 13:15:29 +05'30'

Awaneesh Srivastava
Company Secretary
FCS 8513

Encl. as stated above.

"Garware Hi-Tech Films Limited
Q2 FY '24 Earnings Conference Call"
November 10, 2023

MANAGEMENT:	**MR. M.S. ADSUL -- DIRECTOR, TECHNICAL -- GARWARE HI-TECH FILMS LIMITED** **MR. DEEPAK JOSHI -- DIRECTOR, SALES AND MARKETING -- GARWARE HI-TECH FILMS LIMITED** **MR. PRADEEP MEHTA -- CHIEF FINANCIAL OFFICER -- GARWARE HI-TECH FILMS LIMITED** **MR. HARI NAIR -- SENIOR PRESIDENT, CORPORATE AFFAIRS AND FINANCE -- GARWARE HI-TECH FILMS LIMITED**
MODERATOR:	**MR. VIKAS VERMA – E&Y**

Moderator: Ladies and gentlemen, good day and welcome to the Garware Hi-Tech Films Limited Q2 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be no opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikas Varma from E&Y. Thank you and over to you, sir.

Vikas Varma: Thank you, Lizann. Good afternoon, everyone. Welcome to the Q2 and H1 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, Sales and Marketing; Mr. Pradeep Mehta, the Chief Financial Officer; Mr. Hari Nair, Senior President, Corporate Affairs & 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 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, Director of Sales and Marketing, to make his opening remarks. Over to you, sir.

Deepak Joshi: Yes, thank you very much and ladies and gentlemen, good afternoon and thank you for joining us today to discuss Garware Hi-Tech Films Limited financial performance for the quarter and half year ended on September 30th, 2023. Let me start by highlighting the key financial figures. Our consolidated revenues for Q2 FY '24 remained steady at INR397 crores and our profit after tax, PAT, stood at INR46 crores, underlining our stability and resilience in a challenging market. The PPA business maintained its growth trajectory and Sun Control Film Business reported volume recovery.

However, the IPD business experienced a decline in growth. The company's specialty film contributed around 90% of its revenues, positioning it for the superior growth compared to the polyester film industry, which is currently facing overcapacity challenges. Additionally, our EBITDA stood at INR74 crores, primarily driven by increased PPF and Sun Control Film volumes. However, EBITDA affected by margin pressure from IPD products and impacted by strategic investments in marketing and sales initiatives.

Although marketing costs may continue in the short run to medium term, these investments are important for our growth strategy and are expected to fortify our market presence in the long run. In Q2 FY '24, the CPD segment saw a revenue growth of 53% in revenue compared to the corresponding quarter last year, while the IPD segment reported a decline of 32% in revenue during the same period. Approximately 78% of income is generated from exporting goods, with 43% of that figure coming from North America, around 20% from Asia, excluding India. 22% of revenue is generated domestically and remaining 15% comes from other countries worldwide.

Let me briefly explain our main product lines. Talking about Paint Protection Film, in Q2 FY '24, the PPF revenue has increased by over two-fold compared to Q1 FY '24. The robust growth was mainly due to increased demand from distributors in the United States, in addition to our renewed focus on the domestic market.

We have expanded our local distribution network and effective marketing strategies in the domestic market. For the quarter, the PPF plan operated at high, around 118% capacity utilization, as we effectively managed capacity constraints by utilizing the available fungible capacity from the new Sun control film lamination line. Additionally, the company successfully achieved its target of acquiring 500 OEM brand dealerships ahead of the planned schedule.

It now aims to expand further by setting up a new goal of reaching 900 dealers within the next two years. Additionally, the company has made substantial progress securing partnerships with almost 100 PPF studios and channel partners, that is nearly half of its target. We have signed agreement and commence delivery with Mahindra Automobiles as the OE supplier for the PPF.

Additionally, negotiations are going with three other major automotive OEMs. Now, I would like to talk about Solar control films. In Q2 FY '24, Sun control film business reported a recovery of 8% in revenue when compared to Q1 FY '24. The domestic Sun control film business had an encouraging start by capitalizing on the untapped Indian market, the relaunch of safety glazing window films, and implementing robust branding and marketing strategies.

We expect domestic Sun control film business to contribute around 6% to 8% of total revenue in next 3-4 years. At the same time, our export business experienced an upturn driven by improved macroeconomic conditions and rising automotive sales, resulting in a recovery in Sun control film business volume over the last 2-3 quarters.

Additionally, our strategic expansion into complementary architectural film segments has been evident through the successful commercialization of decorative films in USA and spectrally selective films in European market. We anticipate a substantial revenue stream from the decorative film segment over the medium term. Lastly, the company has acquired a patent for an innovative adhesive system for window films, highlighting a significant technological advancement.

And some more points from architectural segment is that we are now taking our current architectural film portfolio aggressively to the domestic market. We are looking on three key aspects – building consumer awareness, direct partnership with large hotels and commercial office parks, IT companies, banks, and further network expansion by onboarding new distributors. The initial response across the three streams has been promising.

Our digital campaign coupled with physical and on-ground marketing at the residential complexes has been well received. Our direct partnership approach has already given us few solid openings, which we hope will fructify over the next few quarters. All in all, we believe that this segment will become a strong growth engine for us in the next 3-4 years.

Now, I would like to take your attention to industrial product business. The revenue share from our IPD business decreased to 34% in Q2 FY '24 from 54% in Q2 FY '23. Due to a strategic focus on expanding our CPD business and challenges in IPD business.

For this quarter, capacity utilization of IPD was 78%, a decrease from 99% in the corresponding quarter of the previous year. A revival in this segment presents an opportunity to optimize the profitability and volume recovery. Within the IPD business, our specialty films, including low-oligomer, release liners, and other intermediates demonstrated consistent growth.

We have successfully obtained patents for our low-oligomer products, with more patents currently in the pipeline for IPD business. While the shrink film segment faced a decline to lower demand, however, commercial agreements with major US customers indicate growth opportunities and challenges persist in commodity-based IPD films due to oversupply in the polyester film industry, a trend we foresee reversing in the upcoming quarters, or we can see that there will be a good growth on shrink film business, especially from the North American market.

Let me briefly talk about our finances. An achievement we are particularly proud of is the full repayment of our term loans, resulting in a gross debt balance of zero. Additionally, our cash reserves stood at INR350 crores, affirming our strong financial standing.

We were able to achieve a solid ROCE of around 20.68% and a ROE of 15.42%, excluding the effect of revaluation reserves, indicating an optimum utilization of funds generated in the business. While our inventory turnover rate remained stable at 6.5%, our robust working capital management practices have improved our working cycle days to about four days in H1FY '24. In conclusion, Garware Hi-Tech Films Limited remains dedicated to fostering innovation, meeting market demands, and solidifying our market position in the global value-added film industry. We are confident in our growth trajectory and remain committed to delivering value to our stakeholders. We have already uploaded the presentation into the Exchanges, so hope it has been seen by most of you.

With that, let us now proceed to the question and answer session you have on our running numbers. Thank you very much and the floor is now open to Q&A session.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Rahul Jain from Credence Wealth.

Rahul Jain: Sure. So first of all, sir, congratulations on again a very wonderful presentation. We do appreciate the every quarter our presentation has been having some kind of improvement with regards to much more details about the business and also more granular data points which are quite helpful. So thank you for that and hoping that the same will continue going ahead.

And congratulations on achieving more than 100% utilization in PPS, which is one of the products which we just introduced about five quarters back and we have reached that kind of utilization. Coming to my question, sir, first of all, as per your press release and also the presentation, you have mentioned with regards to the incremental marketing initiative expenses which have been one of the reasons for the EBITDA margin not moving up.

So typically, how has the marketing expenses, the initiatives moved up in last three, four quarters? What have been the amounts for last three, four quarters and what do we expect to go ahead?

Deepak Joshi: Yes. So, I mean, in the presentation, we have already shown like the kind of expenses we are doing into the marketing. So, I mean, I will just explain like what it is giving us and then Mr. Mehta or Hari Nair can explain like the numbers what we are doing. So, first of all, we have substantially increased as compared to what we used to do in the past and what it has got to us is like I explained on the architectural segment, which is like the next growth engine for us, where we were able to reach like many commercial office parks, large hotels, IT companies, banks and so on and so forth.

And at the same time, many residential complexes where we have run the campaign which is focused on the areas which are like facing to the sun where architectural film is really required. So, such kind of granular, small, small marketing efforts, digital marketing efforts has been suggested by the agencies.

And second thing in like dealership and network expansion in PPF has been great and the volumes we have like the numbers are not, you know, cannot be presented as compared to last year because they are even tenfold sometimes. Whereas if we talk of quarter to quarter growth in the domestic market also is quite strong and we expect in another six months' time the domestic PPF volume will be almost double from the current level. So, there has been a very strong support from digital media and the external agencies to help us to grow the business.

And in the idea of launching safety glazing film in India is also doing great and for that very aggressive marketing campaign has been done with the digital as well as on the ground kind of initiatives. So, these were and this is in Indian perspective and at the same time, I am just back from SEMA show and where we were visited by more than 200 dealers and customers from USA, South America, Europe and Middle East.

So, we have done an out, I mean we have outreach to everywhere like what we are doing, our digital media and our on ground supports from the agencies has been so good that this kind of response is like very overwhelming for us and we have done dealer meets there where 125 dealers from all around the world were present and we awarded them like for their appreciation of the work with us and then we launched many products like spectrally selective film, safety films, matte film which is in 75, 72 inches which is rarity into the world and many different products like front windshield, etcetera.

And we oversee because of such good marketing initiative, we could see like many major manufacturers were inclined to work with us because after we published a big article on window film magazine and PPF magazine which is world's most read in this segment that we are the world's largest factory for manufacturing of Suncut or window films and PPF. So, all those initiatives were really, really great for us and I mean I hope I answered your question. If you have, I mean if you want to know on the numbers, Mr. Mehta can help you with that.

Rahul Jain: Yes, I surely want to know the numbers sir because it is mentioned in a separate press series also with regards to the amount. So, to understand typically will this amount continue to stay at this level till what time and incremental what expenses further could be done. And also your presentation mentioned that probably this also includes some fee for a consultancy. So, what kind of consultancy fee we are supposed to pay? Is it one off or is it going to be there going ahead?

Deepak Joshi: See, since the start of this campaign which started in May, I mean we were doing lot of social media, digital media initiatives but with the consultants we started in the month of May and initially we have planned for a year program which is really going well. Like I said, so many initiatives we have done and the results has been come. So, in all together that was the strategy to do for at least one year and then we can take a call 3-4 months prior to that and the percentage numbers or the comparative numbers. Mr. Mehta you can help them – help me with that please.

Pradeep Mehta: Rahul, if you can look at slide number 34.

Rahul Jain: Yes sir, I have seen that slide sir.

Pradeep Mehta: Yes, so if you look at the 0.8 is the total number which we have spent for this particular initiative, the India initiative which Deepak has just mentioned and the expenses is primarily on consultancy, most of the expenses is captured there. We have put it in P&L, we have expensed it out and if you see we have given a highlight of what has been done over a period of last, like incremental revenue which has come from this particular exercise. Now, we are at about INR47 odd crores, India CPD business is INR47 odd crores which was 26 about a year back and may be a year prior to that it was much, much, much lower, very minuscule.

Now, it is about 47 in half year and we expect this number to grow because of PPF and because of window film, sun control film and going forward hopefully the way Deepak has explained on the architectural segment. So…

Rahul Jain: Sir, I do understand the benefits of marketing and I do understand it is always important and imperative to do certain marketing expenses and incur brand promotion exercise. Just that this is an incremental number and also if I take this as a quarterly number then overall it looks to be on a higher percentage with regards to our profits which is why I am trying to understand the sustainability or what this number could look like going forward also?

Deepak Joshi: See, the initiative is not only for India though it is focused in India because there are lot of initiatives we are doing. There is Middle East and there is another agency which we are working for the other markets including USA. So, the number which we have shown is paid to the consultant or consulting agency but there are further initiatives in terms of which is always an expense on digital media and all which is on top of this. So, I mean I understood your question. So, the particular is INR7.8 crores what we have shown here.

Rahul Jain: And this will remain on a quarterly basis going ahead?

Deepak Joshi: Then I explain you this is something till April 24 and after that we will take a call because we have still two quarters to go. So, we will decide like the incremental benefit versus the expense which we are incurring that the call will be taken in due course.

Rahul Jain: Sure, that's helpful Deepak. So, with regards to the value of the VAT contribution we have done really well in terms of increasing our VAT contribution over the last 2-3 years and in fact in the last three quarters it has moved up from almost 80% to 90%. And the CPD which is SPF and PPF which are the higher margin products has moved up roughly from 47% to 66% up by almost an absolute amount of INR100 crores.

But probably sir the margin improvement doesn't seem to be commensurate with the improvement on the value-added products. So, am I missing something or possibly if you could share what exactly were in spite of the higher contribution of the value-added products both SPF and PPF the margin improvement is somewhere probably below what it could have been?

Deepak Joshi: See, even in the last call we explained you like the benefits, more benefits or percentage going up it will take another year or year and a half because we are working on alternative components for PPF, right? So, that will definitely improve the margins. So, all whatever we are trying to do is a long term and why in this quarter we are seeing little not improvement despite CPD business first time going beyond 50% of the revenue is the, I mean on IPD side even we have done the specialty business but because of the market especially on North America market went really low in terms of demand.

I think lot of geopolitical tension and everything led to a lower demand from the North American market which is the highest profitable business in terms of percentage for us in IPD business, right? So, that was really low. So, that's why this IPD component you are seeing an absolute number that it has gone down but the percentage also gone down because of its lower profitability because it was North American component was really low but I mean we are well on track to reverse this trend going forward.

Rahul Jain: Sure, last question sir, on string films. So, string films has practically from June 22 quarter till March 23 quarter for a period of four quarters it remains somewhere around INR50 crores, INR55 crores. One quarter it slipped but then it was back to INR55 crores. Suppose that in last 2 quarters it has come down from 55 to 45 and in the current quarter INR28 crores. Two parts to that. What has led to this sharp downfall on the string films and also you mentioned in your initial commentary as well as the presentation about some agreements with two major customers in US for string films. So, can you highlight what is the potential of this particular contract or this particular agreement with these two customers and when does it start commercial and what time it could take to ramp it up?

Deepak Joshi: Yes, so as I explained like North American market went really low on commodity but especially not on commodity I mean on the specialty business. So, we have seen a decline in Q2 for the volumes overall in domestic export and especially on the North American market. So, there were like we were serving I mean if you really see 2 years back we are hardly there in North American market.

Last year we did really well to get some customers there but two biggest customers in USA they have qualified art products and commercial agreements has already been done with them. So, these two will start kicking us from Q3 and probably in another quarter we can see a full value and we expect around I mean I can say overall North American market or US market on overall IPD profitability can be around 25% of IPD margins. I mean on margin wise they are really good. So, we can say like these numbers 20% to 25% addition can happen on IPD because of that.

Moderator: Thank you. The next question is from the line of Priyank Agarwal from Equirus Wealth Private Limited. Please go ahead.

Priyank Agarwal: Sir, two quick questions with regards to the SCF and PPF segment. So, if you see the SCF segment can you provide us with the revenue mix within the segment like between architectural and safety related things? Also sir as you mentioned in the

Deepak Joshi: Sorry, the question I mean it was voice was little dull, so I could not understand the question please.

Priyank Agarwal: Sir, now it is clear?

Deepak Joshi: Yes.

Priyank Agarwal: Sir, I just wanted to ask the revenue mix within the SCF segment. So, we have architectural and safety related things also it was mentioned in the presentation that architectural film is really going to take off from here. So, sir how do you look at this segment architectural space specifically? And so, I was observing that SCF segment although it is mentioned that it is increasing volumetrically however, if you see the Y-o-Y, the revenue has declined by 14%. So, what is the reason and how do you foresee this segment particularly going ahead?

Deepak Joshi: So, first question was clear. Second question is about architectural segment. First question is clear. Let me answer the first question. Like traditionally I explained in the previous calls as well. So, our technology and our I mean the business model for many years in the past has been to automotive segment of the window film.

So, with addition of PPF that became very robust for us. Then there is lot of ups and downs especially in the US market or even in India market the car sales dropped last year and before that because of the chip shortage. And currently because of high interest rates in USA the sales though the economy is going up but still car sales is on a lower side because of high interest rates which was like almost 4% has increased over 2 years.

So, that's why the car sales is little down. So, I mean then company thought around 1.5 years back to have a strong presence to increase its presence in architectural segment. So, that's why we started promoting that segment and that segment requires many new products that I explained you like we have launched a product called Spectrally Selective Films in European market and Decorative Films in US market and the rest of the markets and plus certain safety films which are required to strengthen this segment.

So, all these things like product quality, product identification they are mapping against like what market requires and to some extent to the competitors what they are offering. So, we have made a strong portfolio of these products over last 6 months and we are seeing lot of good doors opened for commercial as well as residential segment on architectural business. So, if you see percentage wise that was really low in domestic market but overall world business it was around 15%-20% which we expect to strengthen and without affecting the growth which we are experiencing in the automotive segment.

Deepak Joshi: Yes, I am not able to hear properly.

Moderator: We request that you return to the queue your audio is breaking up. We will move on to the next question that is on the line of Harsh Mulchandani from Kriis PMS. Please go ahead.

Harsh Mulchandani: Yes, thank you for the opportunity. Congratulations Deepak on good set of numbers considering the challenging environment. I had two, three questions. One is, can you share the experience of winning Mahindra as an OEM for us? How did the process go through and what was the discussion which led us to win this contest? And how long the duration is and the potential volumes which could come from this contest?

Deepak Joshi: Yes, see, typically we can't discuss what was the process and all those things but I can tell you typically it's a nine month to a year process where product qualification is done, that it is tested for different conditions environmental conditions and there are weathering has been done to check whether this product goes -- changes colors or it is not working well or kind of scratches and dust attraction. So many factors are there to validate the quality for an OE. So they were the first one with whom we started and we got qualification. So it was typically a nine month to a year period.

And similarly, immediately after that eight months, nine months back, we started another initiative. So out of that three are almost in the closing stages after the testing and everything has been done and commercials are also almost finalized. So we expect more to join this group in another quarter or so. Right, so that's what. And we are working almost to all big OEs in India, car manufacturers in India and we hope to lock with most of them. I mean this is my wish. But surely, we will jump into many of them going forward that's the thing.

And in terms of volumes, like again, this volume will be like quite good incremental business for us, I cannot exactly give the number. Though, we have some forecast but definitely I assure you that this will be a good addition to the volumes in domestic market, which I said, in another six months period, by end of this financial year, we are expecting to double the volume of PPS in the domestic market.

Harsh Mulchandani: Got it. Perfect. And the second question I had was around the IPV business. So do we expect the volumes and the demand to recover anytime soon or it would take some longer considering the entire macro scenario as per your estimate?

Deepak Joshi: See, I can assure you one thing that our Garware Hi-Tech is never a player which focuses on increasing the volume. So you can always see the less of revenues coming from that segment especially commodity because we decline the orders which are not profitable to us, right. So now, I can tell you that the first two quarters last year versus we are comparing this first two quarters I mean the first half.

So that has been, there was a good demand and good market for IPV last year versus this quarter 3 last year started the decline on the margins and volumes for IPV business. So going from here, I think it's already bottomed out. And we have been able to -- so our problem was little different as compared to the other competitors into the market, peers into the market that North American market especially on shrink as I explained went to some turbulence because of geopolitical tensions. So -- and we are expecting them to back and the good initiative that we have now have arrangements with two biggest American customers and that is the additional one from what we have.

So we expect the margins to come back to a reasonable level. Though, the volumes may not come to fully into this segment, they can come back. I mean we don't know because right now, I can understand from the peers that they are there are some stress -- big stress sales and all those things were there for last one year now that I started, I mean that started Q3 last year. So this year it completed a year where people, I mean the product started losing money. So there may be some kind of closers or something who are new players or a very low volume kind of players, right. So the specialty business we definitely do good so it is already bottomed out. So I can expect only better from here, stable or better from here. So in terms of Y-o-Y, and definitely, we are going to do better than what we did previous years.

Harsh Mulchandani: Got it. Perfect. And I'll just fit in last question on capex. Have you made any announcement or any further progress in the plan versus the previous call?

Deepak Joshi: No. We have not yet made any new announcement because we were using some capacities for PPF like we achieved 118%. And we expect further growth by using the fungible capacities to grow further to that, right. And we are working on things and any such decision will be made public. I mean we cannot directly comment as of now on that.

Harsh Mulchandani: Okay. Fine, perfect. Thank you so much, best of luck.

Deepak Joshi: Thank you.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Hi sir, thank you so much for the opportunity. Sir, you mentioned that we have spent around INR6 crores for BCG, so isn't it this number is high for a company like us? And how long this will continue?

Moderator: Sorry to interrupt Mr. Bendre. Sir, can you speak a bit louder, sounding very sorry slow.

Deepak Joshi: But fortunately, I could hear, so I can answer. So yes. Thank you Mahesh. See, the decision I don't think is like high or low depending on the companies like it is I believe the decision is how much gain can we do and how the companies brand recall goes into the market for years to come, right. So our decision is to not only the branding, it includes branding, network expansion distributor addition, dealer addition new OEs and taking our presence to every corners of the country.

Like we are doing this initiative with wherever, how much car is sold in a small, small regions, like even we consider Raipur, we consider like any small city in the country. So based on what we have mapped out the agency has helped us to map out even the smallest of detailing centers, who are capable of doing digitalizing or PPF which they are not doing such kind of identification has also happened because of that.

So this agency is helping us to increase our footprint to all over India and plus some countries outside India. And that is not limited to digital and I mean this is like a big network making for the company for years to come which will leave its impact. So it's definitely a very good initiative and it's giving us its returns.

Mahesh Bendre: Sir how long this will continue? The cost is one-time or it will keep recurring?

Deepak Joshi: So I think, we have -- I answered the question that we made a program for first one year. And looking into its growth, we are quite happy with that and once we see that it is now the growth pattern has stabilized and the network channels has been opened and our brand recall has been quite permanent and we will take a call on that. As of now it's a one year program.

Mahesh Bendre: Sure, sir. And sir, so many I mean expansion plans have taken place across the product lines? Any new customers we are talking about? So are we still holding our guidance of achieving INR2,500 crores of revenue in FY 24?

Deepak Joshi: Yes, sure. We are doing that because we are like our new lamination line yet to go full. Plus, we are also I mean as I said, in due course, we will announce whatever it takes for us. But yes, definitely, the guidance is right and we are on our path to reach there.

Mahesh Bendre: Thank you so much sir.

Deepak Joshi: Thank you.

Moderator: Thank you. The next question is from Sudhir Bheda from Bheda family office. Please go ahead.

Sudhir Bheda: Yes, good afternoon sir. And season's greeting happy Dhanteras to you sir.

Deepak Joshi: Thank you very much.

Sudhir Bheda: Just two days back I have become your customer and I am very happy with your service for PPF.

Deepak Joshi: Okay. That's really good to know, sir.

Sudhir Bheda: Sir, my questions are like as we are discussing with other participants that there are lot of tailwind in terms of PPF and also with the agreement of with the two customers that also will give flip to the IPD business. And [Window Films 0:40:36] also now back on the track doing well in India as well. So is it right understanding that H2 would be much better than H1 in this fiscal?

Deepak Joshi: I think that would be a very forward-looking statement to answer that question. But as I said, I can only tell the initiatives what we are doing and the results are really good of that, right. And especially on IPD side, so I mean I would say, like we are on course to achieve as per in line with what we plan, right. So as I explained you just now about SEMA show like, which is the biggest show in the world. And where we could reach out the customers which were like, I mean we have been able to get back to many of them whom we were planning to do in the past. So 200-plus like dealers and customers this is a big thing and we are working with them. And then, many new products has been launched then architectural segment has been something which we are really working hard and further there is further upside on PPF. With all those things, we are quite confident to make a good show for us.

Sudhir Bheda: Sure sir. And sir, for the next fiscal, the growth driver would be PPF and the growth will be led by PPF or how we should look at the ‘24- ‘25 years?

Deepak Joshi: So on going forward, there is one aspect as I said biggest growth driver is going to be architectural segment, which we will use for our new lamination line, which is yet to be fully filled up. Because that was commissioned in December ’22, so it's almost eight months, nine months since that is there. And we are using the capacity as a fungible one for the PPF but there is lot to do on that particular thing. So we have yet to go, like fully utilize that. So there is lot of potential of growth. So the growth driver is going to be architectural segment, then PPF there is further upside possible with the fungible capacity maybe around 30%, 40% more to that. And then, the company will take I mean, if the growth trajectory continues like this then we have further plans to continue with that.

Sudhir Bheda: Sure, sir. And lastly, what I heard was INR2,600 crores of turnover for FY ’26, right?

Deepak Joshi: Yes, INR2,500 crores has been I mean that has been the plan and the guidance which we will achieve that.

Sudhir Bheda: Fair enough, sir. Thank you sir, thank you for the opportunity and all the best.

Deepak Joshi: Thank you very much.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Total Capital please go ahead.

Dhwanil Desai: Hi, good afternoon team. So Mr. Deepka, first question is I think in your presentation, you have mentioned that the new sun control capacity of 1,800 lakhs will get utilized by FY ‘25 and basically INR500 crores of additional revenue can be generated. So I understand some utilization would be happening currently. So what is that number? And going forward to get to that number, are you relying more in terms of this tangible capacity getting utilized by PPF that is what you are factoring in?

Deepak Joshi: Yes, on new lamination line for window films I can say that is being utilized around 15%, 20%. Because it does not be directly be incremental because these lines are quite efficient lines. So wherever we find high margin and good the product which is giving good margins, we produce there. And rest of that is being used for fungible capacities. But company is also fungible capacity for PPF. So there is lot to go on that we can even debottleneck some of other capacities which we are using currently for this some other lines.

So we will ensure, I mean this is currently now usually the winter season is the low season for window films, right. And quarter 1, which starts – sorry, quarter 4 which is the one which gives like American market they start planning and European market they start planning for the summer. So that is the -- that is where the real test of the capacity will happen. But we are quite confident and currently we are working on the plans for with our customers, like how do we want to take this capacity further.

And plus, at the same time working with our distributors and channel partners for the new products which we have recently launched. So with all those things on Q4 there will be like the utilization will be good but how much we will come to know. And all the capacities remaining for that we will use as a fungible capacity for PPF. If this line is fully filled up with architectural and other window film products, automotive products, so we have other plans which we are currently working out to use some other lines as a fungible line as a backup to PPF line. So these are all integrated but definitely, this all is going to so any other volume coming from the market will be catered by us for at least till we reach INR2,000 crores to INR2,500 crores.

Dhwanil Desai: Right. Because the only question is that you are seeing strong demand in so many areas, domestic also we intend to grow very fast. So will we not end up in a situation whereby will fall short of capacity, if everything materializes? So that's the broad question.

Deepak Joshi: No. We have that in mind as I mean the Garware management also takes care of that. So we have everything on our radars on our plans, so it will not be I mean we can assure you that. No business will be turned back because of no capacity available.

Dhwanil Desai: Got it. And second question sir, in the US one of the larger PPF player -- one of the largest PPF player, he is kind of what we are understanding is that he is reorienting supply chain and one of the major supplier that agreement got renegotiated and it's diversifying. So are we likely to be a major beneficiary of that how those volumes are ramping-up and will ramp-up? Any colour on that?

Deepak Joshi: Yes. I mean there are many such opportunities. I won't go into any particular of that but I mean we are quite strong in that market. And we have not only that we have further opportunities available, like which you may not have heard that there are some plants in Israel which got closed down and we eyed on the supplier.

I mean the customers of them and plus there are certain more customers who are not happy with their current supply lines. So we have many more in pipeline, many manufacturers they would like us to serve them. So these negotiations are on. So we are aware of each and every details into that market. You are right, and that is a big buzz about this particular thing in market and we are like we are cognizant of the facts and we are taking according action.

Dhwanil Desai: And last question sir, I think this what are our CPD division has done extremely well and for whatever reasons IPD challenges and everything the margin impact is not visible. But directionally, when things normalizes is it safe to assume that if our CPD division grows faster and increases its share in overall revenue mix? The margin profile will increase, is that a right hypothesis to work with?

Deepak Joshi: Yes. See, there are -- as I said, on certain components which we are working on alternatives because the primary -- the company focus is always quality products to the market. And so the quality of PPF has been quite well established and stabilized. So now, as I explained many more manufacturers, they are in line to work with us. So at the same time, we as a continuous development program more alternative components are being discussed and under development for PPF. So going forward in one year, 1.5 years there will be a better realization owing to these new developments.

And on IPD side, definitely the business whatever will grow will grow on a very speciality, like shrink kind of business, like new initiatives on North America and all those business. So with this I mean, we can expect your answer I think last quarter also we understood we answered the same question about the margin improvements. So this is the plan basically to improve the margins.

Dhwanil Desai: Okay. Thank you. All the best.

Deepak Joshi: Thank you.

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

Shrinjana: Yes, hi. Thank you for the opportunity. So I have two questions. One just a follow-up on the earlier discussion. So regarding the capacity utilization in the second line of Sun films, right? Mostly the fungiblity between the Sun films and the same production film, is that correct?

Deepak Joshi: I mean the line was little unclear. I mean the new lamination line is basically, primarily designed for window films, sun control films which are both automotive and architectural. And we use that line as well for component or component planning for PPF as a fungible capacity. So whatever available, we are using that to produce some components of PPF.

Shrinjana: Correct. And we are not planning to do any additional capex on the PPF line unless we use this line first, is that correct? Because we are currently at full capacity still…

Deepak Joshi: This assumption, as I said, we are working, like how much capacity is available for coming time because capex typically takes nine months to one year to fully utilize. Since the time, we do that I mean we start working on that. So in that line, there are certain debottlenecking for making some components rather than not from the new line but from some existing lines which are not being used. I mean we are doing capex and some improvements in those lines to use them for further expansion on PPF line.

In case of any new line, which is a brand new big capex that will be announced to the market. I cannot comment on that right now but again, the capacity and the way the PPF business is increasing and in the season to come for sun control there will be a lot of demand which will be catered. We have the capacities available or we are debottlenecking to meet those demands in going into the next quarter.

Shrinjana: Understood. Thank you. Just one more question is on the patents. These patents which you had mentioned in the presentation, are these registered in US or in India?

Deepak Joshi: Mr. Adsul, would you like to reply on that? Our Technical Director Mr. Adsul can reply on that. Okay. He is in US, may not be in the call. These are for India market as a start because these are product patents, they are for special manufacturing in India market.

Shrinjana: Okay. Understood, sir. Thank you.

Deepak Joshi: They can be expanded to the market so that also work is being done.

Shrinjana: Right, okay. Thank you.

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

Karthi: Sir good afternoon and compliments on a very impressive performance under challenging circumstances. I am just going back to the point about profitability in a slightly different way, which is last year when IPD was a much larger percentage of your revenues, your gross margins were higher. Whereas this year with much higher contribution from PPD and some improvement in SCF, your gross margins are still lower. Clearly PPD is what pulls down your gross margins? Say, 18 months down the line when let's say, you have integrated backwards, so if you have to give us a perspective on gross margins across three broad categories, which is SCF, PPF and shrink film, could you give us a range? And how this should evolve over a period of time?

Deepak Joshi: See, if we talk on per unit margins that on unitary basis it's PPF, sun control and then IPD which is on kilograms, whereas these two are on square feet. But if we talk of percentage one, there are a big basket of sun control films. It always depends on the product basket. When the demand seasonal goes up for example, I am talking of Q4 that time the high end products like IR range goes very high because of the summer season and all. So that season like window film margins and the mix becomes very strong for us, right.

But going forward, there is a lot of possibility like where IPD is the backbone of CPD and lot of new products are being developed for CPD division. So there the margins for CPD as well as IPD may improve. But that is again, as I have given a guideline for minimum one year, 1.5 years because it also depends these are the plans and they should be -- there is a process on this business where stabilization happens like you take trials, then you take internal trials, lab trials internal trials and market trials so the process is quite long. It is typically six months to a year like I explained for validation of OEs also.

So that's why this process sometime looks slow but they are very steady and they give us a long term return. Like once something is stabilized then it goes on for many years, right. So expect some of these things may be from one year or 1.5 year down the line, where from the components we can, the margins may improve.

Karthi: I was asking you more from a FY '26 point of view, sir?

Deepak Joshi: FY '26, okay. With that perspective, I think I mean if you compare our past performance again it's a mix of many products where the margins are really good in where high technology is involved like IR products, whereas on PPF, it typically depends kind of the development of the components. Per unit basis, it's doing to be good on PPF and then window films and in that architectural segment seems to be quite good because lot of I mean high end products are there and of course then it comes the shrink film on IPD.

Karthi: Great. Sir one quick question, there is some confusion therefore I am asking this. Earlier when you referred to the guidance of INR2,500 crores we are talking about FY '25, right?

Deepak Joshi: Yes.

Karthi: Okay, great. Thanks very much and very good wishes, sir.

Deepak Joshi: Thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.

Vivek Gautam: Yes. Sir, my question is in spite of PPT running full utilization, why haven't the margins expanded Sir? Are we lacking the presence power or the competition intensity is too much? That's the first one.

And second is about the expected growth rate over next three years to five years, any capex plan? And lastly, there are price earnings always earnings retained at a low side, legacy concerns on RPTs and land sale profit will not be being received by the minority shareholder that's the doubt we are having the public is having perception issue you can say, so if you would like to address that also? Thank you.

Deepak Joshi: Yes, so one-by-one, first of all like capacities are not utilized full like we said, if you see IPD from 99% to it has gone down to 78% because we do not take many orders which do not make profit for us. That is specially on the commodity segment. If you see the peers on polyester industry, their margins compared to last year, they are not even 50%. I have seen most of the numbers from the industry. We avoid the commodity as much as possible. That is the concern but we expect we are working towards more of special products like low oligomers specially on shrink that's what the guidance we have given and some new developments from the customers from America so that will definitely improve that is number one.

Second thing is PPF, definitely it has gone beyond 100% and we have further scope that we will continue to grow, so that's number two. And number three on sun control as compared to last year, the volumes were lower though not significant but still they were lower because last year, there was a big demand after COVID for the first half in FY '23 as compared to FY '24, where the interest rates are higher and car sales are affected because of that.

And plus, as I have just come from USA with the long meetings with around 200 customers. We understand that demand has gone back to the market, that's why there are some concern on high interest rate in USA because of geopolitical tensions and all. But things look much better and brighter in that.

So these things on sun control, I gave you three perspective like, first is IPD, second is on PPF, which has been outshining and third is on window film, where we are doing reasonably well but there are more opportunities there especially architectural coming into the picture, So that's why you are seeing there is on margins because IPD margins like as compared to last year, they have gone down really low.

Even on the specialty segment, there has been low demand, though margins were not affected but demand in North America because of these geopolitical tensions has been low, which is showing signs of recovery. So that's what on the plant performance and on second part, Hari would you like to address on the second part.

Hari Nair: See on the related party transactions, we had explained earlier also, as the transactions are -- of course the volume of transactions is high but all are as per market standards and on an arm length basis and it's approved by the audit committee, etcetera. But without going into it, we would see -- the point is there is a value-add which is coming from the business, where we are taking the process -- getting our films processed from the entity GIPL entity. So till that benefit is there, it's advisable to continue with that kind of processing and…

Deepak Joshi: Anyways on thanks for your answer Hari and then his question was, I think land bank utilization and all. So in that, we can say that, there are lot of opportunities available for us and we are, as I said there are many manufacturers who are inclined to work with us. So with that, we may look for further expansion or something which is not yet decided but company will consider all it's options available before moving ahead.

Moderator: Thank you. The next question is from Ankit Gupta from Bambo Capital. Please go ahead.

Ankit Gupta: Thank you for the opportunity and good to see the significant ramp up on the PPF side. So the first question is on the PPF side, like this quarter, we have crossed INR100 crores of quarterly revenues and almost reaching INR120 crores per quarter. So, what exactly is driving this growth, is it our white labelling partnership that we have done with the players in the US market. So, what exactly is driving that and given the base, we have of, let's say INR120 crores kind of PPF run rate in this quarter. Do you think, this has now become the base and will grow from here or is this one off quarter phenomena and PPF sales might come down in the coming two quarters?

Deepak Joshi: Not really I mean it has been consistent effort from our side and consistent business because if you really see, it has started last year, the percentage of PPF. If you have seen on the slides were only 2%- 3% on the revenue, whereas in Q4 FY '23, it has started coming to slight better numbers which were roughly, I think close to 10%. Then if you see in quarter 1 was around 16%, Q2 it had gone to 30%. So you can see a substantial but I won't say stable. It's a substantial growth, which has been there and coming whatever we have, what we foresee, these kind of trends should continue.

Ankit Gupta: So like, what exactly is driving this…

Deepak Joshi: Yes okay, so what is driving is, there are three- four factors. One is, we have continuously grown on the domestic market. Like if you really see the numbers, which were non-existing last year, this year we have gone to substantial numbers and of course, we have another six months by end of this financial year, we have further plans to double that in the domestic market, so that is doing good for us.

Then in the market, which are other and USA market where we have some manufacturers, we have tied up with them. So some of the volume additional coming from there and lastly, we call the third thing is rest of the world. Like our sales are like that, domestic, USA and the ROW, which is rest of the world. There we have got a very, very good volumes from countries like Russia Middle East and all, where this is like Middle East this is a PPF crazy market like USA, so there the real value comes.

So it's a combination of all geographies and efforts in all geographies. So that kind of -- it's from everywhere, I can see. Even the countries like which I have never heard, I can't name them but they are the countries we have not heard in the normal business, there also we have got orders for 500 roll plus single orders kind of numbers we have seen. So the growth has been really phenomenal. Even each and smaller part of the world.

Ankit Gupta: And you expect the growth momentum to continue going forward also?

Deepak Joshi: I expect with all the efforts and everything, it will continue, yes.

Ankit Gupta: And on the sun control films, especially on the architecture film, as you had discussed in earlier call that this is contributing to roughly around 15% of our overall sun control film sales. So roughly around INR100 crores- INR110 crores, kind of revenue which are coming from this and we have launched lot of new products in this segment now. And we expect that growth in this in SPF will and architecture films will be a large contributor to our growth SPF.

So this INR100 crores number, how do you think this number will be growing over the next two years- three years. Like, when you say sun control films, the new line will get fully utilized by, let's say FY '25 when? So this will be largely driven by the architecture films and how has been the uptake or how has been the acceptance of our products in the market since we launched this product in exports market now?

Deepak Joshi: So, as I said the range company thought three years or rather two years back, when we saw there may be a kind of saturation on the auto industry because that time it happened because of the chip shortage and then it happened because of interest rate higher but architectural segment, which is a unique segment, where people live with or without such kind of architectural films.

Where this adds to lot of aesthetics, if you give the real perception and I would say awareness of this product is really low into the market. Right even in the place like -- I am just giving example to the forum, like the way we think on that. Like we are at Aurangabad, there also some high rise building I can see. The sun hits directly there. So people really feel these curtains and all those things are not enough because that completely blackens out the space.

So the knowledge awareness which we and our partner, agencies have created into the market especially on residential and commercial as well. So these kind of things have been really well taken because if I know personally many people to 15- 20 people even with after my talking, people have understood the value of high quality sun control films, which reject up to 99% of harmful UV rays at the same time, it reject 30%- 40% of heat, which is coming there and at the same time giving you a perfect panoramic view without putting curtains and all those things.

So this is something which is a very high value product and for that, we have created campaigns on digital media which are related to localize approaches where people see sun is coming, sun facing kind of buildings and then we have done lot of door-to-door and big society campaigns, where our team is there, outsource team along with our partners going there and having their small camps in societies and making people aware of that. This is a long process but we are getting really, really good returns.

And lastly, we have done many big hotel chains and IT companies, where their spaces are quite big. We have been there and our team, our outsource team has explained all those benefits and we are getting really, really good response of them. In Indian market and similarly, in the market like USA, where we are now quite aggressive with our distributors and dealers.

We are presenting new products. They like, these people always look for new products, where we have made this unique and very high end products, which are accepted well. So the approach is very different on each market and then you go to European market, it's a completely different market, where people do not allow people to enter their house to put the film.

So their exterior films is a big phenomena, which is a very high end product because it comes directly into the contact of sunlight. So there also, we have launched a product which is for the exterior application. So all three different geographies, which are major, we have a different approach but we got a very good response of this. So that's why we are quite aggressive, that this number should be anywhere 2x or even 3x in next two years to three years.

Ankit Gupta: Sure. And one clarification on your guidance of INR2,500 crores, this is for FY '26 and not next year, right?

Deepak Joshi: This is actually, I'll have to see. Mr. Mehta can you just see the guidelines, it was for FY '26, right? INR2500 crores.

Pradeep Mehta: There is a confusion because multiple people asked about this. Basically two years to three years, we will achieve this target.

Ankit Gupta: Sure. Thanks.

Deepak Joshi: We might achieve even earlier and all those things but yes, there is a guidance of achieving in two years to three years, which we will do. INR2,500 crores, yes.

Ankit Gupta: And broadly, if you can indicate, let's say two years to three years, whenever we achieve INR2,500 crores. Broad breakup of which segments will be contributing, how much as per your estimate. Let's say, PPF will contribute, how much will SPF contribute. How much will, let's say IPD or let's say largely value added product, IPD will contribute in this?

Deepak Joshi: Yes, I think roughly to that, we can reach around 35% to 40% on total would be like PPF and similar number, maybe 40% to 45% because architectural will be added to that, so that will be on window film side and sun control side. And balance will be IPD because IPD will also because it has now almost a year, where we have started rebounding our sales especially on the shrink fields and low oligomers. So there also, there will be some growth possible but broadly these would be the numbers. So 40%, 35%, 25% these kind of things, I expect. This is a broad number. Things might change depending on the situation but this is what we feel like.

Ankit Gupta: Sure. And this last question on current year performance. We like first quarter had -- first two quarters or the first half has largely been flat primarily driven by SPF challenges on the SPF and as well and more films on the IPD film. So, given the kind of visibility you have for the second half, can we expect 10%- 15% growth for the overall revenue in the full year or that looks a bit challenging in FY '24?

Deepak Joshi: I expect to be better than what it was last year. The simple reason is, this is the quarter where IPD went really low, so we have now in first half, whatever we were losing or going down on IPD was made up by consistent growth of PPF. Now, if PPF growth as I said will continue stable to continue further, right? And I mean, if you see comparison with IPD, definitely it is going to be stable or going to be better and on Q4, when the season comes for Sun Control, so in all, I expect good going forward.

Ankit Gupta: Sure, sir. Thank you.

Deepak Joshi: The real reason which I am trying to explain is, the IPD last year when the decline started, so we are already there. So nothing more compensate for that, it can all be the additional.

Ankit Gupta: That will now become at least the base given, how the market is.

Deepak Joshi: Yes.

Ankit Gupta: Thank you. Wish you all the best.

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

Aman Vij: My first question is on the Sun Control Film side. so the new line, which is 1800 LSF, at full utilization, what kind of mix do you expect from this line between architectural film, the normal Sun Control Film and may be some PPF components?

Deepak Joshi: See ideally, what we would likely said, we have some plan. Again these are very granular plans, inside the factory where we would -- we have now done some of the other facilities to use as a fungible for PPF. So that going forward, when the high season comes, the new line would be more or less available for architectural and normal window film, high end products side. So, our aim because till that time, it was quite fast.

We were rushing and we were able to get such outstanding order book for PPF, right? So that's why, we use that but in the meantime we have taken our time and stabilized another fungible line to support the PPF line. So there, we are good. We will try to produce more of PPF from somewhere else. So having said that, the growth of architectural will be like I said, we are expecting in two years to three years, double or triple the volume. So that volume will come from new lamination line. And finally with the season most of the product high end products will be made on a new sun control line.

Aman Vij: So, sir, the mix between for 1800 SPF line will be like 60%?

Deepak Joshi: No, we will try to go somewhere around roughly as I said 20% to 30% on architectural but that is two years down the line and around 50% to 60% on the automotive segment and balance, if required only 10% to 20% on PPF because we are making some other arrangements, where we do not lose any capacity, when the demand peaks up, right? So that's why we have internally made arrangements to debottleneck for the usage of PPF.

Aman Vij: Sure, sir, this helps. My second question is on the margin side. So, I understand that, each segment, for example, Sun Control Film have various types of films and even in quarter -- some quarter like Q4 may there will be mix of high end Sun Control Film, so the margins might be higher.

So not talking about quarterly basis but on yearly basis, as of this year, if you have to give the order in terms of margin among the four products categories, which is Sun Control Film, the architectural film, the PPF and Shrink film, where it is today, as of now. And with the -- we have talked about PPF, we will be doing some backward integration more component in-house, so after doing that, where will the order -- what will the order look like?

Deepak Joshi: Yes, see the top one again would be like high end, higher products or safety gazing kits on number one. And then, it would be PPF, then second category of window films and then Shrink film. That is now and it will remain similar even after we change this thing because there are certain in-house patented technology on Sun Control, so the top end products will still remain top end but very close to PPF.

Aman Vij: You are saying, PPF will reduce the gap between itself and the top end for Sun Control Film, this is what you are saying?

Deepak Joshi: See it is again as I said window film or architecture because I didn't mention architecture here because architectural products are like very high-end products and there, I mean the technology and all those things is quite high but still as I said in the current scenario and the future the top end products which are high end products of sun control they are number one then PPF then other products which are like not high value edited of window film and then shrink film. Now shrink film for again there are category like if you really see the Indian margins and rest of the world and USA. There USA margins are quite good.

Again, they might come above the sun control lower end products. So it's like a big combination. But you can understand even on the shrink film there are very high contributing regions whereas in window film it's mainly on the product whereas in shrink market is mainly on the geography.

But again, this up and down can happen but broad guidance I have given it to you. Because there are, even sun control there are maybe 50 plus SKUs depending on the different profitability.

Aman Vij: Yes, but on an average, it will always be better than the PPF margins.

Deepak Joshi: Yes definitely. Again, if you talk of entire basket because, it is a new business for us sun control sorry PPF. And sun control we have lot of things like we are only few customers few manufacturers in the world who supply very high end products which are deep tied and all. So N plus IR is a very unique phenomena which we do. And the process which we do is again very high end and the quality is 25 years in making.

Whereas in PPF it's more of a business where we have achieved all those things in three four years, maybe in a very long term phenomena that PPF might even go up like on mat PPF. Definitely the margins are going to be much higher than this one. So there are possibility everywhere and, we keep an eye like where we can increase the margins and all. But this is guidelines is what I told you.

Aman Vij: Sure, sir that helps. My next question is on the domestic PPF business.

Moderator: In order to the management be able to address all the questions I will request you to please rejoin the queue. Thank you.

Aman Vij: Sure

Moderator: The next question is from the line of Ankit Chawla from Subhkam Ventures. Please go ahead.

Sachet Jain: Hi this is Sachet here. So couple of questions from my side. So in your Q4 FY'22 call you had mentioned that, you had given a revenue guidance of about INR1800 to INR900 crores. Just you know I understand that there has been some stress at the IPD division. So what kind of revenue run rate would you have for the next couple of quarters?

Deepak Joshi: Yes. I think going up because of ups and downs in that particular segment on IPD and some of the business as I said we do not entertain because of the margin pressure. So I still feel I mean, there may be 10% here and there. But we hope that we will be able to grow on BPS business and with Q4 being like the full-fledged demand season for us. So we will be able to maintain that.

Sachet Jain: Okay, perfect. And my second question was actually to understand your IPD unit if that can be utilized for production of PPS?

Deepak Joshi: See again, there are many components. But yes, some of them are being utilized.

Sachet Jain: Because what I actually wanted to understand since you were running, on full capacity for the PPS and you were also kind of using the FPF capacity as well for the production. I mean, like would you be going for capex of INR8200 crores for the line of additional PPS or would you wait for it?

Deepak Joshi: You mean IPD capacity to be used for PPS?

Sachet Jain: Correct because you are running in 100%

Deepak Joshi: See we use some of the products already for PPS, and of course for sun control. But what we have done is a strategic move, I cannot go into very detail but just for the information of the forum. What we do is we have now focused on many products, which actually directly made from IPD and some value addition on CPD. And these are part of some new product developments for us.

And some of one of the product actually we started getting good orders also, means, the products which are like very high end products from CPD, but mostly it is made on IPD, like, some products are there we identified. So we make the base in IPD and then transfer it to consumer product division, and then we do some value addition there and then it goes from there too, to continue if you really see the nightmare what is happening in the polyester industry is so that is a well thought of plan where we have converted into this kind of business. And PPF it will take as I said one 1.5 years there will be many components or almost everything whatever is required from polyester will go from here.

Sachet Jain: Okay. And your capex for FY'24 and '25. If you could just help me out with that number?

Deepak Joshi: 24, 25.

Sachet Jain: Yes.

Deepak Joshi: See again this is a development process. I cannot guarantee or something that it will happen or not happen. But yes, the aim is that, we will achieve that by that time.

Sachet Jain: Okay that's it from my side. Thank you.

Deepak Joshi: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Priyank Agarwal from Equirus Wealth Pvt Ltd. Please go ahead.

Priyank Agarwal: Good afternoon, sir. Yes sir. So my question to you is with respect to the PPF business. So like as you mentioned that SPF domestic sales conversion to the total sales would be around 6% to 8%. So, I want to understand what would be the PPF scenario for the domestic market? In terms of percentage if you can specify?

And also, sir I want to understand, as you mentioned the last con call that at peak utilization PPF revenue contribution would be in the range of INR450 crores. So sir are this, is my understanding correct about this revenue contribution about PPF?

Deepak Joshi: Yes, with the current rate we are growing because as I explained that this Q, I mean there has been Q4 '23 where the real PPF started coming into the picture and which has around 10% of total revenues. Whereas in Q1 we did around 16% and then in Q2 this year we did around 30%. So if we annualize with this, we will I think easily cross that thing. We can even go to, I mean with this rate we can even cross 400.

Priyank Agarwal: Right and sir what about the domestic market like what kind of mix we are looking forward. Like in terms of total sales as you mentioned that we will be going forward in the next two to three years, as you said that PPF will be contributing at around 35% to 40% to the total sales. But what would be the domestic scenario? I want to understand that?

Deepak Joshi: So on domestic if I see with this it's like domestic would be it's like 20% of the PPF.

Priyank Agarwal: Right, answer one last question.

Deepak Joshi: PPF just recap that the penetration in India is only 0.4%, 0.5% so we have an aim to take it to I mean at least 2%, 3% whereas the China rate is around 10% and US is around similar into 10% range. So looking into this market and looking we were almost 0.1% two years back. So we have which is now around 0.4% to 0.5%. We can at least take it to three to four times. So in immediate six month time of we can do it to at least a percentage 0.8% to 1%. So that growth itself is will double our number and we will reach around 20% of the capacity on domestic market.

Priyank Agarwal: Right, answer one last question, quick question with regards to the margin. So how does the PPF margin differ across the sales channels, as we are expanding into like we have tie up with Mahindra, right, into the OEM segment, and also, we have been aggressive in opening the Garhwali Application Studios. So how does the margin differ in this across this sales channels?

Deepak Joshi: See it's a very I think standard marketing practice that wherever we go through Garhwali Application Studio definitely their margins will be higher because lot of efforts are required our marketing campaigns, digital marketing campaigns all are aligned towards to get that kind of growth right.

So when we go to big OE's, definitely there will be like a volume commitment from there so there will be some advantages to them. But again it is well all those things is being averaged out and giving good returns to us.

I mean, exact nitty gritty on numbers we can't discuss but definitely. And as I said, our aim is to build a long-term brand recall for Garhwali into domestic market as well, where our major aim is to penetrate the brand across, all across India, all corners of India and all through network channels right. So we are well set on that direction. Wherever we do like alternative component developments and everything this will give automatically increase our margins with that.

Priyank Agarwal: Thank you sir that's it from my side.

Deepak Joshi: Okay thank you very much. Thank you.

Moderator: The next question is from the line of Aman from Astute Investment Management. Please go ahead.

Aman: Yes, with the domestic business. So, we have now 500 dealers and we plan to take it up to around 900 dealers, sir?

Deepak Joshi: Yes.

Aman: So on an average so obviously there will be some little bit low utilization at some at medium and some at high. But on an average at peak kind of sales from 900 or should we assume like we can do like INR300, INR400 crores kind of domestic business? Whenever it happens, no timelines but what number should we assume with say 900 2000 dealers, what kind of peak domestic sales we can do?

Deepak Joshi: See, you are talking only on PPF or PPF plus?

Aman: No, no PPF only.

Deepak Joshi: Okay, only on PPF as I said I am expecting around 20% of the business from I mean by the end of this year. So, I am because that will not be that will be annualized for next financial year. So with that you can assume like if we have that kind of volumes. So, I can assume that will be like around INR150 crores kind of business with that.

And this is like I said from 0.1 we have reached to a level of 0.5 and the numbers which are talking is like kind of around 1% so you are 100% right, if we go -- if we add -- if we further grow next year from 1% to 2% right, so that number is going to be around INR250 to INR300 crores. It is possible but it might take two years or three years to reach there. So domestic business that with this can go up to INR250 to INR300 crores.

Aman: Sure sir, that helps. And on an average say for a dealer normally the mix between the business he gets from sun control film versus PPF film is the mix like PPF might be like 60%, 70% given the volume required sorry the value required is more what is the current mix and what is the normalized mix for a dealer?

Deepak Joshi: It is very premature to talk on this level the reason is all the PPF is very new into this segment and it is growing very fast, right. Definitely PPF component would be more, but if you really see sun control per say is much higher penetration, which is roughly 30% penetration as compared to 0.5% of PPF. So and there are much more channel, because we have been very seasoned player on sun control.

So we have a very wider network of sun control sales in India and as well as over the world right. So PPF channel is just started. So exact comparison I don't have because, it is too early to do that. When we stabilize our volumes to like I told you INR250-INR300 crores that would be like the area to understand like. It doesn't help us anyway how much is PPF or sun control percentage. It helps us by increasing the penetration, both sun control and PPF.

Sun control is quite strong and standard and stabilizing for us whereas PPF we are continuously growing. So we are not stopping for all those things. And there are many distributors which are like focused only on PPF there are many distributors and dealers who are only doing sun control. So it is not apple to apple to many distributors.

Aman: What is the number of dealers who are doing sun control for us in India?

Deepak Joshi: For sun control, we have sorry 100 plus. There are 100 plus dealers because my team is here so they are saying 100 plus dealer's distributors those who are doing for us that. But and for that we don't need to reach like we are doing in PPF. Because the business is high value business and we had to create, we had to use a different strategy by creating market or secondary sales channel and creating demand or push from the secondary market to help us distributor to sell PPF. Because when we started, we just started giving PPF to people they were not able to sell.

So we had to create we had to make a field for these people to sell the product. So PPF we have done lot of work to create the market. So that our dealer distributor can sell the market and that's why we reached directly to OE's and dealership which are 500 in reach and gas which are like 100 in our port. So on PPF it's a different strategy where on sun control it is very different strategy

Aman: Sure, sir. That helps. Just to complete this point on the PPF side, sir. So you have talked about previously, I think that say if you have to do it average car might cost around INR1 to INR2 lakhs depending on what kind of film and all those things. But I think, my understanding is most cars still only use it say on a one part of the car. And average realization per car might be around 23,000 plus minus something. I can be wrong this is my assumption.

So if you can talk about have you seen this usage increase in terms of last few months or quarters, once we have started marketing maybe, we have created so many SAU's. So does the use per car is also increasing, one is obviously you can get more customers, but in the cars in the people who are trying to use this product is the value per car also increasing?

Deepak Joshi: See, whatever says there are component, people who are using components are really low. It looks like there will be more people, even we also thought. But with the experience, we can clearly see, the people who are doing full cars are much more than people who are doing partial, right, to just make you the forum more understandable is that we are also doing on many bikes. We are doing big events with big manufacturers of bikes.

In fact, we are participating in a show by invitation in Goa during this month. So even bikes and -- even bikes and certain other smaller bikes e-bikes are also using our products. So these are small, small applications. But the volumes are really low, whereas when you talked about the prices like INR1 lakh to INR1.2 lakh, we have many big distributors high end -- not distributors many dealers they are doing high end cars they are doing at a price of INR3 lakh also INR3 lakh plus.

So they are very different channels and we give them very different branded products. So we have strategic moves there we just don't disclose all those things like only INR1 lakh INR1.2 lakh because our PPF is also being done at a very high brand for INR3 lakh also those people who are directly buying from us in India, right. So there are I can say 10 different channels where we are selling depending on like we are also doing to e-bikes to other bigger bikes to part of the car to then full cars. So there are 10 different methods where we are selling but every strategy to sell all those things is well defined and we are using those to increase the presence and margins for the company.

Aman: Yes

Moderator: Thank you. That is a last question for today. I would now like to hand the conference over to the management for the closing comment.

Deepak Joshi: So, I mean on behalf of Garware Hi-Tech Films, I would like to thank all the participants of this call, all the investors and people who joined us. And thanks for the patience of listening us. And we assure you that, we are doing every bit to make to create the high value for all stakeholders. Thank you very much. Thank you.

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 line.