November 19, 2024

The Compliance Manager
BSE Limited
Corporate Relationship Dept.,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400001.

Scrip Code: **500655**

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

Trading Symbol: **GRWRHITECH**

Subject: Transcript of the Earnings Conference Call on Unaudited Financial Results / Business Performance of the Company for the Quarter and Half year Ended September 30, 2024.

Pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Earnings Conference Call, held on, Friday, November 15, 2024, at 12:00 Noon (IST).

The aforesaid transcript is also available on the website of the Company: **https://www.garwarehitechfilms.com**.

This is for your information and records.

Thanking you,

Yours faithfully,

For **Garware Hi-Tech Films Limited**

AWANEESH KUMAR SRIVASTAVA

Digitally signed by AWANEESH KUMAR SRIVASTAVA
Date: 2024.11.19 14:19:05 +05'30'

Awaneesh Srivastava
Company Secretary
FCS 8513

Encl.: As stated above.

"Garware Hi-Tech Films Limited's Q2 FY'25 Results Conference Call"

November 15, 2024

MANAGEMENT: **MR. M. S. ADSUL – TECHNICAL DIRECTOR**

MR. DEEPAK JOSHI – DIRECTOR, SALES AND MARKETING

MR. A. VENKATARAMAN – SENIOR PRESIDENT, CORPORATE AFFAIRS AND FINANCE

MR. ABHISHEK AGARWAL – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Garware Hi-Tech Films Limited Q2 FY'25 Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Verma from EY. Thank you. And over to you, sir.

Vikash Verma: Thank you. Good afternoon, everyone. Welcome to the Q2 FY'25 Earnings Call for 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. A Venkataraman, Senior President - Corporate Affairs and Finance, and Mr. Abhishek Agarwal, the Chief Financial Officer.

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

We will now start the session with the 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 to make his Opening Remarks. Over to you, sir.

Deepak Joshi: Good afternoon, ladies and gentlemen. Thank you, Vikash, and thank you all for joining us today to review Garware Hi-Tech Films Financial Performance for the 2nd Quarter and Half Year ended FY'25 ending on September 30, 2024. We appreciate your continued interest and support.

Following a record setting 1st Quarter, I am delighted to report that GHFL has sustained its upward trajectory in Q2 FY'25, further building on the strong foundation laid earlier this year. Despite the challenging global economic environment, we have managed to achieve new heights, not only meeting, but exceeding several of our ambitious targets across key performance metrics.

We continue to carry forward the momentum from Q1 into Q2, making a steady and promising start to the financial year 2025. This quarter we achieved a new record with consolidated revenue of INR

620.6 crores, surpassing the previous quarter's results. This was supported by the ongoing operational improvements and sale of value-added products.

Additionally, for the first time, our quarterly PAT has crossed the INR 100 crores threshold reaching INR 104.3 crores. This milestone highlights our ongoing commitment to growth and operational excellence. 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.

Now, let me give you more insights into our product divisions. Our Solar Control Films continue to show excellent performance achieving increased revenues compared to Q1. The growth is also attributed to our recent product innovations such as Spectra Pro and DecoVista Series, which have gained even wider acceptance and popularity in Q2.

With our growing presence in the new markets and ongoing focus on digital engagement, we are broadening our reach and establishing GHFL as a leading force in the automotive and architectural film segments.

Moving to Paint Protection Films, we witnessed a strong demand momentum from our PPF products including our Titanium, Matte, White and Black Series. This segment continues to operate at a high capacity to meet both domestic and international demand.

I am happy to announce that we have launched whole new series of Colored PPF in SEMA Show in Vegas, which got a great traction for auto and the CS.

As previously announced, our new PPF production line with an annual capacity of 300 lakh square feet is progressing as planned and we are on track to commence commercial production by Q2 FY'26. This added capacity is anticipated to strengthen our market position and revenue potential in the global PPF sector.

In our Industrial Product Division, Q2 brought a steady recovery, supported by a strong demand for Specialty Films such as Leading Films, PCR and Floatable Shrink Films. These high margin products have contributed to our profitability, allowing us to serve premium customers while maintaining operational efficiency.

Our focus on high quality sustainable solutions has positioned us well within the specialty film industry. We at Garware Hi-Tech Films Limited place a strong emphasis on innovation, quality and sustainability, which serve as the foundation of our strategy.

We have continued to invest in R&D and process improvements to ensure that our product offerings remain aligned with the highest industry standards and emerging trends. Our expanding distribution network enables us to cater to an even broader range of customer needs worldwide. Looking forward, we remain confident in our ability to sustain and expand our growth achieved thus so far. Our diverse product portfolio, targeted capital investments, strategic market expansion initiatives, equip us to drive continued revenue and profitability gains in the quarters ahead. With steady market demand and our strategic initiatives in place, we are optimistic about delivering continuous performance improvements in the quarters to come.

Thank you once again for your time today and for the continuous trust in Garware Hi-Tech Films Limited. With this, I now request Mr. Abhishek Agarwal, our CFO, to take us through the Highlights of the Financial Performance. Over to you, Abhishek.

Abhishek Agarwal: Thank you, Deepak, and good afternoon to everyone on the call.

I am pleased to report that Q2 and H1 FY'25 has built further solid start to the year with improved financial performance across all metrices. In Q2, we achieved a consolidated revenue of INR 620.6 crores, reflecting year-on-year growth of 56.3% and a quarter-on-quarter growth of 30.8% driven by continued demand in our SCF and PPF segments.

The steady demand for our value-added products remains a core contributor, while IPD has also shown positive developments carrying forward the momentum from Q1 and benefiting from our focus on high margin specialty products. The focus on premium and innovative offerings has helped us to maintain a competitive edge and capture more market share.

EBITDA for Q2 reached INR 150.5 crores, representing significant year-on-year growth of 103.3% and quarter-on-quarter growth of 15.8%. This increase reflects the impact of a high-end product mix, expansion to newer geographies and ongoing process improvements that have enhanced operational efficiencies. Profit before tax for the quarter stood at INR 138.1 crores, showing an impressive growth of 127.7% year-on-year and 17.5% quarter-on-quarter.

Our PPF and SCF business maintained its growth trajectory by growing 67% and 64% year-on-year respectively. This quarter, our IPD business also showed a sharp growth and grew 30% year-on-year. Our PAT also experienced strong growth reaching INR 104.3 crores with 127.1% year-on-year and 18% quarter-on-quarter increase, benefiting from an enhanced mix of high margin products in our portfolio.

Exports continue to perform well, comprising approximately 81.3% of Q2 revenue. With value added products making up around 88% of the segment. Highlighting our expanding global presence, our export mix has been instrumental in sustaining this growth trajectory.

We are pleased to report that our cash reserves now stand at INR 544 crores as of September 30th, 2024, with zero net debt, positioning us well to advance our strategic projects.

We are progressing as planned with the new PPF production line and this investment will significantly expand our capacity to meet the projected demand.

Looking forward, we remain confident that our initiatives will continue to bring measurable improvements in our financial performance.

With this, I turn the call over to the moderator for the Q&A Session. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Priyam Khimawat from ASK Investment Managers. Please go ahead.

Priyam Khimawat: I just wanted to understand our strategy going forward on Garware Application Studios. Right now, we are at around 160-odd. What would be the strategy for the next two to three years on this part of the business?

Deepak Joshi: So, as you said, we are close to 160 as of now and our initial target was to reach to 200. But looking into the demand from our channel partners that they would like to participate in this growth strategy, so we will not stop at 200 level, because right now the PPF growth is coming from Tier-2 and Tier-3 cities also. So, the next line of growth we are seeing from these cities which are like Tier-2 and Tier-3. So, I can say that we will continue to grow in this segment of Garware Application Studios.

Priyam Khimawat: Because with the new line coming in from next year, I believe there's immense potential for us to grow this faster. And apart from that new line which is coming next year, any other expansion are we planning or any other new products which we are looking to enter into?

Deepak Joshi: See, as our focus has always been a player which is more focused on new products and qualitative output. So, as I spoke in our opening address that we have launched Colored PPF Series, the Company's target is to take the market share from companies like Tesla, who has started supplying their cyber trucks in stainless steel bodies, means there is no color in those trucks. So, we could see a lot of attraction toward our colors and that can be going forward a very different business where cars may come because this is started by Tesla, more companies can come without paint to the market, and this can be a big business for colored PPF. That's one of the strategies. Similarly, we have many more things which are in pipeline which we are going to declare as and when things progress.

Priyam Khimawat: Lastly, we were expecting to achieve INR 2,000-odd crores revenue this year. I believe we will surpass that significantly this year itself and next year we are envisaging around INR 2,500 crores of revenue with the new line coming up. Are we sticking to that guidance or do you believe that there is significant upside risk considering the kind of demand which we are seeing in our products?

Deepak Joshi: We are confident that we can beat that, but there are certain geopolitical things which we are always aware in our consideration. So, that is moderate, but we would like to stick to that.

Priyam Khimawat: Should we assume a 25% EBITDA margin going forward for this business or do you believe that there's upside, downside risk to this number?

Deepak Joshi: Actually, the guideline like we gave last time, we try to maintain 25% (+/-3%) because this is the seasonal product, and the product mix makes a lot of difference. So, the number which come is usually you will see due to Q3 being a little low season for us and Q4 being the preparation for a high season, so we'll see that product mix a little down and then go up. So, overall, we plan, or we target to be 25% plus/minus 3%, within that range.

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

Ankit Gupta: My first question is on the QoQ growth in revenue that we have seen from almost INR 475 crores to INR 621 crores in this quarter. I was looking at the break-up that you have given in the presentation, and I think most of the growth has come from our CPD segment, which has grown from around INR 318 crores to INR 441 crores. So, is it Sun Control Films which have driven this growth on a QoQ basis or it's the PPF which has driven this delta of around INR 120 crores that we've seen in this quarter?

Deepak Joshi: See, first of all, this is a good question in view that first time we have crossed 70% threshold for CPD business, Sun Control and PPF. So, that is 71% of CPD and 29% of IPD. In that particular segment, more growth I think has come from PPF, because Q2 goes towards a lower season for Sun Control but still the growth in Sun Control has also been there but more growth has come from PPF segment.

Ankit Gupta: I was also looking at the geographical breakup of our revenues and the growth is also driven more by the North American sales. So, is it more of our branded sales which has driven this delta or is it the third-party manufacturing that we do for the other players?

Deepak Joshi: So, on North America, from 48%, we have gone up to 54.5%, close to 55% and that is very well directed. It is as per our wish we are moving higher and higher in American market because that is like we try to maintain our EBITDA margins to higher levels and this market is our premium market. So, this is a directed growth. Now, growth has come in both the segments. Primarily we are putting more efforts towards Global brand sales like a recent SEMA Show also we could see the attraction towards Global brand. So, Garware and Global brands both we are putting lot of efforts and growth is coming from that particular segment. But of course, when we are growing with this pace, so white box customers are also growing fast. So, it is coming from both the segments.

Ankit Gupta: Given Q3 and Q4 are relatively leaner quarter for Sun Control Films, do you think the PPF sales which we have done in this quarter is actually like it is possible that we can maintain this base or even grow from here on the PPF segment and normally a significant decline in revenues that we used to see in Q3 but in this financial year Q3 and Q4 might also see significant jump in revenues given how PPF is doing for us?

Deepak Joshi: When we say, I mean, lean season, so actually in Q4, which is when we talk of February and March, they are pretty good season for us because then it's a preparation for the coming season. So, Q4 is definitely we always expect to be stronger, not weaker. Q3 definitely is a low season because Sun Control there is hardly any sun in our primary market. So, then we see a little drop in our sales in Q3, which is very standard phenomena, but PPF is not directly affected by that. So, I can say it will be more or less stable in Q3, but Q4 with the CPD division coming back, so we expect a strong Q4 for us. For us, it's a seasonality mainly hits Q3, not Q4.

Ankit Gupta: Because last year if I look at it, maybe we were just coming out of the issues that were there in the Sun Control Films on the inventory side because Q3 we saw QoQ growth last year, but maybe this year the base is very high, so we might see some drop here.

Deepak Joshi: You are pretty right here, pretty direct, but since the growth has been in H1, we have shown outstanding growth. So, base is quite high. But the Company is still targeting further growth from here, if not in Q3, then Q4 definitely, we are trying big sequential numbers as well.

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

Vivek Gautam: My question is regarding the opportunity size and the expected growth rate our Company can have in Indian and export market especially we are seeing of the auto slowdown especially in the West and any impact it's having on it on us and growing number of Ola, Uber cars also is having any impact on our prospects?

Deepak Joshi: So, thank you, Mr. Vivek for your kind words on our performance. Now, that is really unfortunate that in India we are seeing only 0.5% or kind of no growth in auto segment, US is exactly same, no growth 0.5% growth, which is almost nothing, and in Europe kind of degrowth in auto sector till Q2, another thing there is a geopolitical tension which is quite strong or prevalent in the market for first half. But despite all the challenges we have come over that and we did this kind of performance. Going forward, the only challenge we are seeing right now is the seasonality in Q3 and rest of the things we have been telling our team if the global scenario has been that tough but we have performed so well. So, when they are conducive to us, I think we can do much better than that. So, I would like to say this much only to this.

Vivek Gautam: And for the word on the Architectural Films in India, how is the opportunity for that. And what are the R&D initiatives you are having? And I believe R&D is our major hidden strengths, more sort of a thing which is helping us out a lot after investment of 10 years. So, congratulations to Mr. Adsul and whole team, sir.

Deepak Joshi: So, architectural actually in the past as I have always been saying, in automotive, we are very strong, but since last 1.5 years we are putting lot of efforts in architectural and the example of that Spectrally Selective Film which has been the key leader in our portfolio, which is like parameter of that which I discussed in recent American visit and where it is something which is a game changer for us and that product is really doing well in Europe and it has started doing well in America, and in India also we have launched this product, and at the same time we have another series which is DecoVista Series. So, Spectra Pro and DecoVista, these were launched last year, especially for the architectural segment. And other than that, we have Security Films which are taking interest from all around the world. So, when we talk of architectural, the complete range is there since last one year, and with sustained efforts in terms of marketing hirings, marketing initiatives in digital media and a complete product portfolio, we are doing good and I can say the internal assessment compared to year-on-year basis, we are running at 100% growth rate in architectural segment.

Vivek Gautam: Lastly, sir, on the industrial product range, I think our sector has also started doing well, all the companies like Polyplex, Jindal, etc., also coming up with that good number. So, what changed over there and so that growth rate is also expected to help us out and expected to remain strong for how long, because that's a cyclical sort of a thing?

Deepak Joshi: So, IPD, like we explained that it did better than last year, but another factor is that IPD used to be like more than 50% for us three, four years back and we have been continuously reducing our dependence on that. So, right now our CPD has gone to 71% and IPD is only 29%. In that 29%, definitely we are doing better; margins have improved, but if you really see, we have always wanted to go away from commodity market, we only wanted to stick to our base strong fundamental R&D products which are like Shrink Films Floatable Shrink Films, APR Films and PCR Films in Shrink Films, and then the various different kind of Lidding Films and Low Oligomer Films, which are for Electric Grade Films. So, not on the real commodity where market may go up and down, but if you really see last two, three years, the peers when we are talking, they were really, really low, some people went negative also, but we continued to grow on that because we have always been believing that we will only be serving to specialty where we can give some special kind of a product to the market, which are delivered by our new product and R&D team. So, our focus will continue to do. We will not be disturbed by certain good market on commodity, and we rush to that. We will continue our efforts to our specialty, and we'll produce something as a leader which people will follow, we will not follow the commodity segment.

Moderator: The next question is from the line of Akshay Shah from Kris PMS. Please go ahead.

Axay Shah: Now I want to understand your thoughts on President Trump coming in America. How did it impact our business?

Deepak Joshi: See, today morning I came from America. So, I can understand the feeling there. More people asking the question what could be the impact of the regime change in US. We are more optimistic than any other country. Our biggest competitor is China. Though we do not directly compete when we talk of the triangle, we serve at the top of the top range, whereas Chinese are at the bottom. But when the regime changes, there might be more duties towards China market. That's our expectation. See, we can't comment as of now what will happen, but the chances of getting better impact than negative.

Axay Shah: He may impose 10% duty on every product from Garware. So, will it impact our demand/supply situation?

Deepak Joshi: There may be some couple of percentage here and there won't make much of a difference. Like I said, this is a very different series where margins to distributors and dealers are in a good shape, right. So, the real impact will be the guys who are like selling at a very low prices like as I gave example of Chinese players who sell almost one-tenth or one-fifth of our prices, right? Their strategy to gain the market is the price-sensitive, means they only want to sell the low, low, low product. If their duty, which is currently 25%, goes to 50%, will affect them badly, whereas for us if it's a 2% 3%, 5% here and there, might not affect. But we don't know this is a geopolitical thing. The government to decide like how they are going ahead. We will frame our strategy based on what is the outcome. But as of now, we don't see that negative to us.

Axay Shah: And exports grew very much for us in Q2, almost 40%. So, how do we see it panning out going ahead?

Deepak Joshi: See, as I said, Q3 will definitely be a lower in terms of seasonality, right. But again, in preparation of coming season, so it will again pick up in Q4.

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

Mahesh Bendre: In the last four quarters, the Paint Protection Film has become one-third of our sales, and it has come from nowhere. So, going forward, I mean, Sun Control Film and this will remain core for us. But any other new product do you think which has the potential that we plan to launch maybe over the next two, three years can become as dominant as Paint Protection Film?

Deepak Joshi: See, there are products which we are working, but that will come out once we are confident of this quality and all those things because our product life cycle, I mean, the testing of weathering and all takes long. So, they will definitely come. We select some out of many. But in paint protection film like we have come from nowhere like four years back, nobody knew about PPF in India. Now, the growth has been pretty strong. And with the launch of like Titanium that is really doing good for us and recent launch of Colored PPF that will take the market from current 2% to maybe 10% level. So, we still see the upside of five times in PPF in India. That may take its own time, but with the growth of Garware Application Studios and the sales strategy which we have now, definitely we see a big upside in Paint Protection Films.

Mahesh Bendre: Sir, what is the current utilization in both Sun Control Film and the Paint Protection Film?

Deepak Joshi: So, Sun Control worked almost 100% in Q2, and Paint Protection went I think 135% range. It goes up and down. I mean it cannot remain stable each month, but depending on the load on other lines on sun-control lines and PPF line we switch the fungible lines. But they were pretty much occupied and PPF was running beyond capacity.

Mahesh Bendre: Any white labeling major opportunities available, can we supply some of the products that we are manufacturing to our major global competitors maybe 3M kind of players?

Deepak Joshi: This is a strategic question. Of course, we do white labeling, and we do many different, different products, right? Of course, we can't name any of the manufacturer here because of the specific confidentiality agreement with our customers.

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

Ankush Agrawal: Firstly, sir, on the Architectural Films business, I want to understand the distribution part of it. Is it mostly like a direct sales business which is bulky in nature? And if so, would it have a much higher margin than say SCF and PPF?

Deepak Joshi: In architectural business, there are two models. One is the standard distribution model, but that model only works for a smaller scale sales like some housing and all those things. The typical nature of these products are the qualification to big architects, big brand owners, like I'll just give you example, if you want to do some airports, so you need like your qualification in Airport Authority of India. Today only, we got a very good news that one of the leading Indian hotel manufacturers qualified the product. While when we talk of qualification, that means it should have the certification required by each and every brand owner or architect or PMS. But that certification normally done by European, UK or American standard. So, after the qualification, like these project teams, they directly get quotes from the Company, right, for the project and that is how it is supplied, right? So, one model is simple like automotive, where you give your distribution, and they put some safety films or other films into any building. Another one, the bigger one, where we talk like we showed last time, the Central Bank of Brazil, we won the product against the world's best chemical company and then another peer name which somebody just thought, we won that project against those guys. So, similar big projects which like do the entire building or the chain of buildings. So, their qualification is important. That's why we have a dedicated team which works only on the architectural segment and this team was formed almost a year ago, which is performing well and the same model we are applying to European market and the US market.

Ankush Agrawal: So, generally speaking, would architecture be a higher margin business? I mean, obviously there's a host of products within, say, PPF, SCF and within architecture also there would be a different lines of products, but generally speaking is it a high?

Deepak Joshi: See, margins are more or less similar. These products are actually expensive. If we really see because their technology is a bit different, the nature of the product because they are the stable buildings, they see the sunshine all the time, so, we need a different kind of properties which help the building to run longer. So, of course, margins are slightly better, but the products are expensive also. So, that's why the higher margin means a lot big price to the customer. But definitely these are like one of the top of the top range products for us.

Ankush Agrawal: Second question that I wanted to understand was the quarterly variation in our gross margin. So, last quarter, the gross margin was 53%, this quarter 44%. You did allude last quarter is because of change in product mix between PPF and SCF. But I mean, if I look at the overall contribution of CPD business, which is higher this quarter versus say YoY also, but still the gross margins are similar at around 44%. So, wanted to understand is the product mix itself is such a big differentiator that leads to such high variation in gross margins or there is something more to it and how should one look at the stable steady state how much will you be able to do?

Deepak Joshi: Actually, it depends on the product mix and as you rightly said what happens is when it was a peak summer in Q1, then at that time, like IR products which are like the highest margin products, so their sales rises in the Q1. In Q2 we saw a big jump in the sale of PPF and there was a growth in Window Films as well. Window Film which comprises of Auto and Architectural. So, when you see the growth was definitely there in both the product lines, but there was a higher growth in PPF. So, PPF price being very high and IR product as a base being low, so we see that product mix making that change which is 27%, went down to 24.5%. But we exactly can't control month-on-month on product basis, but this is basically a direct reflection of product mix.

Ankush Agrawal: So, in that sense, Q3 would have the lowest gross margin because like the seasonally lower quarter with lower share of SCF, would likely be of understanding?

Deepak Joshi: For the year, like we have given the guideline like 25 plus/minus 3% in quarters and overall numbers I think slightly better closer to that number. But very fine management becomes difficult because the market keep on changing, like our biggest market in the US, they keep changing every quarter of the requirement and this is based on the seasonality they require different products into different seasons, right? So, overall guidelines will remain the same between the 25 plus/minus 3%. So, it will range from 22% to 28% anywhere. So, Q3 might be a little low, but again as I said, in Q4, we will get it back.

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

Shrinjana Mittal: Just had a couple of questions. Can you help us give some number on the Sun Control Films and the PPF Films, like what is the growth percentage year-on-year? You did mention that PPF has seen a higher growth, but can you share some number on that year-on-year or sequentially what is the growth be like?

Deepak Joshi: So, YoY Sun Control growth has been 64% and PPF growth has been 67%.

Shrinjana Mittal: On the Architecture Films, what is the current share like as a percentage of sales?

Deepak Joshi: When we started the campaign. it was like around 15%, that it went to 20%, right now we are estimating that around 25%. I am using the word estimation because there are some products which go into both segments. It's very difficult to bifurcate them. But based on the nature of like Spectrally Selective Films and those kind of films, so we are estimating it around 25% as of now. So, from 15% it has gone to 25% now.

Shrinjana Mittal: That is as a percentage of overall sales or just the –

Deepak Joshi: It's a percentage of our Sun Control Films.

Shrinjana Mittal: Architecture currently it's largely exports, right?

Deepak Joshi: Yes, it's largely. So, I can tell you, it's a European market than India market and then developing into U.S. market. So, it's bifurcated. In India also it is doing quite well.

Moderator: The next question is from the line of Vinay Nadkarni from Hathway Investments. Please go ahead.

Vinay Nadkarni: Just two questions. One is on the sales growth that you have achieved in this quarter, how much of it is volume-driven and how much is value?

Deepak Joshi: Because when we are seeing them, it's again depends on the product mix. So, definitely it will be more of a volume-driven, because prices only then the product mix changes, otherwise we are seeing lot of volatility into the market. So, I mean, the absolute number pricing per unit may not change.

Vinay Nadkarni: Secondly, in the Sun Control Film, since it's such a high margin business for us, is it possible to tap into the southern hemisphere for Q2 and Q3 in order to gain business or Q3 and Q4?

Deepak Joshi: See, that's perfect, but you can also see the size of the market in USA and there is hardly any southern hemisphere in USA, it's more on Latin America Australia and New Zealand business, right. We are aware of the fact, and we actually do lot of sales in those southern hemisphere during Q3. But if you see the size of market you can't compare. The number one market is in low season. Definitely, we do lot of sales during this period in ANZ and South America or to some extent in Africa.

Vinay Nadkarni: Lastly, just one is on the market share. Since your growth has come in automotive sector in PPF, then the automotive sector itself has not grown so much, so is it because it's a new product and new acceptance or is it that you have gained because there's nobody else in this business?

Deepak Joshi: No, there is no one else is not a thing, because you see there are maybe more than 50 players in China and Korea. So, we have grown because of our quality, our consistency and our consistent marketing efforts, and in India actually we have created the market by training, the people like we have trained more than 800 applicators, then providing the place for the market, which is Garware Application Studios and lastly, giving market the product as per the requirement which is lifetime warranty, 10-year warranty, five-year warranty and three-year warranty. So, we have captured the entire market by giving all range of products to all kind of customers, and of course. like I said, the facilitator being the applicators and the application studios. So, it's not easy to get a new product just by selling. We need to have a proper strategy like how it will work into the market.

Vinay Nadkarni: This can also be used in the used car business?

Deepak Joshi: Yes, there are some products which are doing for the used car market now that we will maybe launch pretty soon, which will be like a very maybe different products. We are working on many options like we take feedbacks, we have our brand ambassadors everywhere in the market like these 800-plus applicator whom we have trained, so we are getting feedback from then, we have our sales team, then we have marketing agencies which do all those things like what should be done, how to grow into the market and what should be the pricing strategy for entire spectrum of the customer range. So, these all things we do before we take any action on that.

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

Prit Nagarsheth: One thing I wanted to understand was that how was the situation during the last time Trump was the President and tariffs were put in? Did you see a shift in your product improvement for you based on the theory you mentioned that the lower end Chinese products would find it hard to survive and was there an increase in business for you guys at that point in time?

Deepak Joshi: Last time actually it was much talk, but nothing actually happened on the ground. But as we are continuously growing into that market and our partners are quite strong there. If you compare to last year, then nothing changes like but we don't know because this time it is more of a serious rhetoric or I would not use the word rhetoric, I mean, serious discussions going on. So, I mean, if you really see this time, I mean, nobody knows. I mean, I spoke to many people, including the leaders in that industry, in fact, some of them have kind of representation, we are members of the top bodies there and they have a representation over there as well, because they all want a stable duty for them. Because there are a lot of talks, if their duties are increased arbitrarily, then a lot of inflation will go up, which is against the idea of… they have announced that the primary thing would be increased tariff, reduce taxes, income tax and all, but at the same time, control the inflation right away from the taking oath on January 6th. So, if that more tariffs are there, then definitely the inflation is going to go really high for them. So, all those discussions are going on. So, we don't know what will happen, but it looks like as I said, we hope for more positive than negative because we have like industrial product is also doing good there and the market participants believe that it will be more good than bad to us.

Prit Nagarsheth: So, just continuing on this question, when we sell in the Northern American market at a quality level, you're saying that there are people who are on par with us because they are the highest quality there, right. So, there will be some North American manufacturer who is on par or maybe better than us in quality, could that be a case here?

Deepak Joshi: There is a wide range of products. When we talk of automotive segment, then our products are considered to be on the top line. So, there is no better than that because the base what we make is very solid and our nano dispersion is also quite strong. So, our film basis are stable, this IR which really affects the heat rejection, that is also strong. So, our quality is the best quality and people are at par, of course when you talk to the Company which is a big chemical Company, so we are at par with them.

Prit Nagarsheth: And at the price level are we say below them, or do we sell on similar pricing as them?

Deepak Joshi: We are little lower because they are the local player there and they have a strategy which is sometimes direct to the customers, but for us with our sales force and everything, our route is through distributor and sometimes because of the volume and the white boxes, people tend to sell little lower, but that lower means I would be around 10-15%, I would say around 10%.

Prit Nagarsheth: The reason I was asking all of this is because if the duties come in and they are, say, 10%, 15%, 20% or more, then would it make the local players competitive versus what we provide, right? That's the line I was trying to better understand.

Deepak Joshi: But as I said, see, the decision will happen on the larger scale where if you talk of window film market, which is very minuscule as compared to the broader imports from China and Asia, right. So, based on that like consideration on window film is not going to be there, but if there is a structural change of 4% or 5% as I said that doesn't do much impact to us because we might gain more volumes if the duties are put to our counterparts in other countries.

Moderator: The next question is from the line of Guneet from Counter Cyclical PMS. Please go ahead.

Guneet: I would like to understand, can we consider the INR 600 crores plus quarterly revenues to be the run rate going forward? I understand that in Q3 we might see a very downside variation of about 10% to 15% because of seasonality, but for the rest of the quarters, can we consider this as the run rate going forward?

Deepak Joshi: Like I said, the Q3 is a seasonality, but Q4 should be back. So, we hope that Q4 will be the similar one.

Guneet: Sir, you mentioned that the growth in Q2 is mostly driven by increase in volumes, but in Q1 you mentioned that most of our lines were running at 100% capacity. So, I just like to understand, how were we able to increase our volume when we were already running at full capacity? Also, sir, what is our maximum revenue potential, our current capacity and with the new line coming in Q2 FY'26, what would be the additional peak revenues from that line? And also, sir, are there any SCF, PPF lines coming in, in Mexico, do you have any idea about that?

Deepak Joshi: So, I think a lot of questions there. So, if I miss anything, please ask again. So, #1 is, how we were able to do like more volumes in Q2 as compared to Q1. So, more volumes means I said it also depends on the product mix. So, if you see PPF prices are like in absolute terms, they are like 3-4 times higher than the Sun Control lines, right? So, the growth has been slightly higher on PPF means your revenues will go up. But since when you are doing less of IR products then the margins will definitely go down. So, your questions are both answered with that way, like revenue went high because of our strong growth on PPF and I mean EBITDA margin slightly lower because of less of IR sales in Window Films. So, that's the reason of Q1 versus Q2. So, we have lot of fungible capacities which we use based on seasonality or whichever product is selling more. So, that's how we use it. Now, third question is how much is PPF going to increase. The revenue increase will be around INR 450 to 500 crores when the new line runs at full capacity, but normally we have a ramp up plan. We normally do better than that, but there will be like stepwise utilization of that line. INR 450 to 500 crores top line.

Guneet: Are there any PPF or SCF plants coming up in Mexico?

Deepak Joshi: Yes, actually I have not heard of that. We have all the data and all. But again, even if it is coming, that does not make much of difference for us, because there is no dearth of capacities in the world, like if you see China, I can easily see more than 70 players in Chinese market, right. So, the real difference comes from the quality of the product, because this product is really, really very difficult to make, right? So, we don't normally see as a challenge unless it is put by one of the top five players in the world.

Guneet: I think you're doing great with your organic growth, and I would just request you to stick to that and not do any inorganic acquisition because I think you've done a great job in this.

Moderator: The next question is from the line of Puneet Mittal from Fort Capital Advisory Limited. Please go ahead.

Puneet Mittal: I have just two questions. First question is, I am just trying to connect the dots on what you said. One is that Q3 you said Sun Control Films has lower season, but there's no seasonality in PPF. Second, you said that you are using the capacity of PPF to 125%. And the third you said that it's all fungible. So, are you planning to move the Sun Control Films lines to PPF for Q3 if not for selling in Q3 but to cope up with the demand and create an inventory for Q4?

Deepak Joshi: So, we do that, you are 100% right that we have fungible thing and plus we plan more in Q3 for Q4, but that will not come into numbers, no. So, that is definitely being done because we plan for six months ahead. So, I mean, with the forecast from customers, distributors in all, so we see a good forecast in the near term as well. But only thing is because of the seasonality, we can't dump the material in Q3. I'll just ask a simple question like if we go to November and December like the top of America like northern part of America is full of snow. So, hardly anybody comes out and puts us the Sun Control Films. But there are certain things where the shops are also closed. So, PPF is not a seasonal sale but still there are common people who are out of work for at least in the whole of December. But having said that, we are quite confident and our guidelines, like we have done outstanding in H1 and in H2 mostly Q4, we are expected to go back to very strong numbers and Q3 will be stable as compared to our YoY and all those things.

Puneet Mittal: Second question is, we are putting up a new capacity of PPF, which naturally takes time, and you have explained historically why it takes time to set up. At the same time, you are doing a great job of developing the market in India and just like Xpel in the US, you may have a first mover advantage here of developing this market. So, the more studios, the more applicators trained, you do get that advantage. So, would it not be strategic to develop this more aggressively, both setting up the PPF line for future development as well as setting up the gas studios?

Deepak Joshi: So, your question is putting more lines than one?

Puneet Mittal: Yes. So, you are right now plan for one line of 300 lakh PPF. You right now plan for putting up one more capacity in FY'26. But would it not be strategic to put up some more line because we do see this demand growing and the Indian market which you're doing a great job.

Deepak Joshi: See, we are prepared, like as I said, if you see the growth of world over, the penetration of PPF, if we see the China and USA, so we have a headroom available for five times of the growth which takes time, but we are growing that and the current line which I said we are already running 35%, 40% more than the capacity of 135% to 140% operating rate, so with that, I mean we are able to meet the requirements now till the new line comes. And once that is operational so it's a big headroom again available for sale in terms of productivity and at the same time we are tapping all the necessary like with the gas and others. So, we are aware of the fact that this is important and we assure you that nothing will be left like customer or without having the product from our side. So, we are working on that. But we do not want to put something which may seem to be unnecessary in future because we have a lot of other capacities which are like if I may tell you that we have like five lamination lines other than PPF lines. So, there will be like five laminations plus two PPF lines. So, that means the seven lines which act as a fungible. So, we have enough capacity available. And in fact, we can think of some other expansion in the meantime, which we will update in due course. We are working on a lot of options in that. So, we are aware we will not leave any customer as a strategy having less capacity and all.

Moderator: The next question is from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: My question is regarding like current quarter like Q2, PPF, we have seen that we have done top line of marginally more than INR 200 crores. So, this seems like a one-off because like this is more than what we have done like it's twice of H1 FY'24. So, can we take this as a base or we consider that there is some seasonality of front loading of some of the sales in it?

Deepak Joshi: See, exact numbers can never be told because there are a lot of things which happen in the background. There will be some material in the pipeline which goes to our subsidiaries and then sold from there. And then of course, there are some similarities. Sometimes there are one of our major customers has OEs with them. So, they need more material all of a sudden. But overall, like as I said, it definitely will be true because natural growth is coming, we are penetrating to the market, we are creating more markets for us, and we are going to the places where we have not been in the past. So, exact numbers like cannot be set the base like that, but definitely when I mean like four years in making, then we started like first year with like 5% of the capacity only, second year it jumped to 25%, and the third year it went to 70%, 80%, and now it is running at 135%, 140%. So, the growth is very natural. That base I cannot guarantee like this has been set. It might be more than that, but it's a very dynamic in terms of the customer base in our key markets and the material which is on the waters to USA and European markets.

Rohan Patel: Looking at the growth which we have experienced in CPD division, most of that which has come from, as you mentioned, from volume growth. So, have we penetrated any new geographies apart from America and Europe that is giving us a new market which we can also penetrate further?

Deepak Joshi: What we have done is like we have like different sales division, which is like domestic sales and then U.S. sales and then rest of the world. So, in the rest of the world, we have penetrated to geographies which I don't want to name here as a confidentiality sake, but we have added key sales force in five new countries and that is like historically a place where you would hardly find our Sun Control sold, but PPF is being sold in these areas. And once we have started selling PPF, of course now Sun Control is also going. So, there are territories where definitely we have penetrated afresh.

Rohan Patel: Are these international geographies or you are talking about domestic?

Deepak Joshi: I am talking only international, because domestic growth is definitely is quite strong. We started with 0.1%, then 0.5%, now currently we are around 2% of penetration of Indian market. But as I said, we have like five times to go and I think you will appreciate the fact the car sale price in India versus the price of PPF, it's a significant cost. So, with a lot of efforts and persuasion, we have been able to reach here in PPF. So, you can assume like INR 1 lakh is the average cost for putting a PPF. But we are continuously growing, we are seeing the growth on month-on-month basis on PPF. So, international market penetration is to new geographies. India market penetration everywhere, initially we did in metros then we did in Tier-1 cities now in Tier-2 cities even going below them as well in India market.

Moderator: The next question is from the line of Akash Bachhawat from Narnolia Financial Services. Please go ahead.

Akash Bachhawat: So, I do have a few questions regarding capacity utilization and the opportunity in data center. So, I was reading an article that in UAE they are using films to insulate data centers from thermal lead. So, are we into those kind of films? And on capacity utilization, that we are exceeding beyond 135% in PPF. So, how much more sales can we extract from the same capacity until new capacities come in?

M.S. Adsul: Can you just repeat? The thermal insulation on a building or -?

Akash Bachhawat: I was reading an article, in UAE, Dubai, they're using insulation films on data centers to protect them from external heat. So, are we in those kind of films? So, I just wanted to know on that thing.

Deepak Joshi: That can be a normal Sun Control film also. Like in architectural segment, there are films which the solar heat control is quite strong on that. So, if that is the glass, then we are definitely supplying those films to UAE as well to all the market. If it is like a building –

M.S. Adsul: If that is on a terrace or a roof of the building, then those are the different things or paints.

Deepak Joshi: Yes, there are paints as well. But normally when you are talking of data centers then they are usually glass buildings because of aesthetics and there definitely these new films, like Spectrally Selective Films and Reflective Films are very popular and we are selling them in good quantities. Now on utilization, see, the thing is, it's simply a fact that maximum we can go double the capacity by using 100% of Sun Control because the maximum of a plant is like which we are doing 135% to 140% can go to 200%. That's the limit. But to have that limit, we need to have Sun Control lines free for that much of capacity and that many orders should also have. Like it's not the magic stick that wherever we go, and we get orders, there are lot of efforts, market development and all those activities are concerned. But if the question was like how much can we go before the new line can come? It can go to 200% provided we have that much orders, provided Sun Control fungibility is available to that. So, these are like notional questions but with the rider I answered your question.

Akash Bachhawat: This is just a follow up sir. So, if there is the realization in EPS is 3x to 2x of SCF and we are seeing much more traction in PPF in Q2 and even in Q1 your analysis was except in Q1, in Q2 PPF we have seen lot of traction in it. So, if we extrapolate it in Q3, will the realization help in compensate the loss of sales in SCF in Q3?

Deepak Joshi: I think the facts are not correct here. So, PPF absolute margins are higher, but if you talk of percentage terms, Sun Control high end IR products are at the top level, right. We do not disclose them like exact number. So, the top-quality products of Sun Control in terms of percentage, they are #1 to us and PPF capacity is lower. When you make PPF, it is not at the same rate we can make Sun Control, right? So, we do all the bits and pieces. I can assure you like that we do every bit to enhance our sales and profitability. But when there is the issue of seasonality, yes, we can't do anything, right, but definitely overall the year is going to be really, really good, and the strong sales we expect right now from Q4 and Q3 is also I mean it will be decent.

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

Karthi: I had one question and two clarifications to seek. Can you elaborate on the business development process for Colored PPF? I am not very sure whether you will go through the OEM route or will there be a different model for this. And the clarifications I just plug in immediately. One is on the India branded business. What is the current revenue and what is the target let's over a two, three-year timeframe?

Deepak Joshi: On colored PPF, it's a need of car for some particular OEs. Of course, we are not direct there because one of our big distributors is supplying to them. So, the route, the number one is to distributor who is supplying to them. And second, we will directly penetrate to the market by way of like we supply now the complete range of PPF from Titanium which is lifetime warranty to eight years warranty to five years and to three years. So, this will go with the similar route when we supply the Matte PPF and Black PPF and all those things, right? So, we already are into colors which were limited to black and white. Now, there are many colors which we have added to that portfolio. So, it will go to one route through our distributor to OE. Another route will be like to the market where it will go to different stages.

Karthi: And in India also would you follow the same route, sir as in the distributor route or for an Indian OE would you be directly -?

Deepak Joshi: In India, we have like already a partnership with Mahindra where we supply direct to Mahindra and another two have been approved which we will inform in the due course, and of course, we will directly also supply to these guys and to the market as well. We may have certain colors which are reserved for certain OEs. That consideration will be done in due course.

Karthi: Those would be customized colors.

Deepak Joshi: Like some has special yellow or some has a cherry red specific to a OE. So, these things we will do. We are doing actually but we can't disclose, but we are doing that.

Karthi: How big could this product alone become?

Deepak Joshi: You mean colored PPF?

Karthi: Yes, sir.

Deepak Joshi: See, as of now, we did see like we had been in the show. So, there is lot of attraction because of colors. But if you really see like it will take some time because something new nobody is doing that and people are trying to do that. So, it will take some time. But we safely assume that it might be like 10% addition or 15% addition to our sales.

Karthi: On the Garware branded products in India, sir, how big can this become, say in two, three years?

Deepak Joshi: See, we do not give the specific number. As you may be aware that looking into the outstanding performance of Garware, there are many competitors, they are just trying to… so I don't want to give the readymade information which people should get by way of marketing agency or something. But we are like growing at the rate of 70%, 80% into the India market.

Moderator: The next question is from the line of Pritesh from Lucky Securities. Please go ahead.

Pritesh: I have two questions. One in your past calls, you have said that in the PPF 300,000 capacity that we had. We had invested about INR 150 crores with full-time assets. Now when I am just trying to connect the dot, I am still clueless. What is the PPF revenue number because in one answer you said one-third, someone told 200 crores, then you gave a utilization number. So, I am clueless on the PPF side. If you could be a little bit more clearer? And my second question is, if you look at the margin swing in the last three quarters, the BOPP industry itself has gone through a 25% to 30% change in the gross margin number. Is it fair to assume that the 35% of your portfolio, which is ex of CPD, where there would be lower margins, which are now on a higher side. So, this 300, 400 basis points swing that we see in our last three, four quarter basis is actually to do with the industry profitability swing because even you have 35% of your business like that. So, it would be very helpful to be very clear on these two parts because the margin assumptions, etc., everything is based on these two observations.

Deepak Joshi: But about this total revenue from PPF –

Pritesh: Because even if you take 135% of the earlier number which you have shared in the conference call of INR 150 crores, a two time asset turn, it goes to about INR 400 crores, then it's INR 100 crores per quarter in this, then that 30% number doesn't come.

Deepak Joshi: See, the number is 26% on revenues from PPF.

Pritesh: For this quarter?

Deepak Joshi: No, for H1. I hope you are clear so I hope you have an answer.

Pritesh: Capacity utilization is 100% plus, right?

Deepak Joshi: Yes.

Pritesh: My second question was on the profitability side. So, which means in your revenue number there has to be an element of higher realization?

Deepak Joshi: Yes, that's what I said. The growth has been volume driven and that volume has come from new territories and growth on the PPF.

Pritesh: There has to be an element of higher realization. Your growth is almost 56%. So, my guess is there has to be at least 20%, 25% minimum realization like -

Abhishek Agarwal: Mr. Pritesh, if you would have gone through the earlier questions, every part has a different price point. And as we were mentioning earlier, PPF is at a higher price point as compared to IPD or SCF Films. So, what you are looking at 15%, 20% growth in prices, is not the growth in prices, but it's a change in the mix of our products.

Pritesh: On the margin question, is my observation correct that you would have gone through 400 basis points because of the profitability of improving 35% of the same?

Abhishek Agarwal: So, see, first, we are not in the BOPP film segment per se. When we're trying to see BOPP with Polyester Films, I don't think it is the right linkage which we are doing there.

Deepak Joshi: We do not produce BOPP. We produce Polyester Film, BOPET.

Pritesh: Even BOPET has gone through those things.

Abhishek Agarwal: But if you would look at that part of the presentation also, we are into specialty, we do not deal into commodity.

Deepak Joshi: Currently, our CPD business has been 71% of total sales and BOPET has gone only 29%. Despite the fact that it is going up now and definitely with a lot of capacities which have come in or will come, and on the BOPP side also there will be a margin erosion once again, right, on the commodity. To safeguard ourselves, we are always trying to give value products to the market which has some kind of uniqueness in the products, and we will continue to deliver new products into that. So, that's why our share of BOPET is continuously going down; it is now only 29%. And that too, we are only catering to the segments like Shrink Films, Floatable Films, Low Oligomer Films and Leading Films and all those which are high end products.

Moderator: The next question is from the line of Kiran D from Tabletree Capital. Please go ahead.

Kiran D: I have a slightly different question zooming out of this quarter numbers. FY'23 to FY'24, all those data points are available on your FY'24 annual report, FY'23 to FY'24, there was a significant drop in the Global brand sales in the US, right, and one of our customers, I think, whom we have white labeling to is 30% of our revenues. So, two-part question is a) how do you think about Global brand sales is significantly degrowing, was it a conscious decision or it just so happened that Global brand may grew in '24 and we'll be back in '25 and to 30% of revenues is from a single customer, so is that a point of concern? The second part of the question is more operational, which is there's been a six quarter, eight quarter or maybe 12 quarter discussion around Nashik plant monetization, more dividend payout. So, if you could just tell us, are there any board discussions around that? The third part is a smaller question is do you consider the Middle East is part of the Europe because we seem to be growing well in Middle East as well. So, those are the three-part questions?

Deepak Joshi: I am not sure like how did you get the number that our global is degrowing. In fact, we are seeing a good growth in global brand. In fact, some of the places in US we saw Garware is also growing. So, we are really happy to see that there is a continuous growth momentum there, right. So, that's one part of thing. And second part, we have many customers in white label also. I'll just tell you one thing. Even in India we have challenge, right? Everybody is selling Garware now. So, you go to a place and the guy is selling Garware and next door there is a big, branded shop has come. So, he wants to sell Garware product because of the quality. But the challenge is he has spent so much on his showrooms and everything and the next door is selling Garware on the open market, right? So, how to sell to both the guys because we are not letting these places to our competitors, right? So, that's why the white box is sometime a necessity because that gives big brand value, because they are like world leaders. You not talking of only one, but we have many such players into the market who are buying from us, right? So, there is no degrowth of Global. In fact, Global and Garware both are growing. And as talking about white labeling, we do decent numbers, because we have to continuously grow, because these guys may have like 100 salespersons and we have very limited one because our focus markets are different, right, we can't compete with everyone in each market. So, as a strategy that works well for us. And there is no price difference between white labeling and Global.

Kiran D: The other part of the question that I asked, if you could just answer, is Middle East considered as part of Europe?

Deepak Joshi: Middle East is a separate territory for us. We have shown a separate part; 3.1% sale in the Middle East. It is very clear into this thing. But when you talked about one single customer, that was Global?

Kiran D: No, in your subsidiary, so there are two bits in your annual report, sir. One is your subsidiary information which has clearly stated as Global Films, USA. So, there if you look at AOC-2 form, the sales between FY'23 to '24 the degrowth, two, you also have to report a single largest customer more than -

Deepak Joshi: That's not a degrowth. Let me clarify to you. See, between these two years what happened, there was a lot of inventory which was lying there, which we cleared because after COVID the shipping timeline was way high, right? So, it dropped significantly after that. So, there was a lot of 30 to 40 days inventory suddenly went into our subsidiary. So, these are like operational things. There's no degrowth. It is like your inventory adjustments were there.

Moderator: The next question is from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil Jain: My question is related to PPF. Are we thinking of any backward integration in this particular part of business?

Deepak Joshi: Again, this is very strategic and confidential information. Unless some decision and all those things is made, it will be informed accordingly.

Sunil Jain: In India also, you sell white label or it's only pure branded sales?

Deepak Joshi: Mostly branded sales, but couple of big-branded people who sell at a very premium thing. So, we sell, but that percentage is hardly 10% of our sales. As I said, it is a necessity because otherwise we potentially lose customers.

Moderator: Due to time constraints, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

A. Venkataraman: Ladies and gentlemen, thank you for joining the call. I trust we have clarified all your queries. In case if you have any queries further, you can write to us. We will clarify the same. And despite the holiday you have joined, thank you very much.

Deepak Joshi: Thank you, everyone.

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

**Note: The above transcript has been edited for readability purposes.*