



Garware Hi-Tech Films Ltd.  
Research Report as on 3-08-2022  
CMP: 841 INR

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**PEE AAR SECURITIES LTD.**

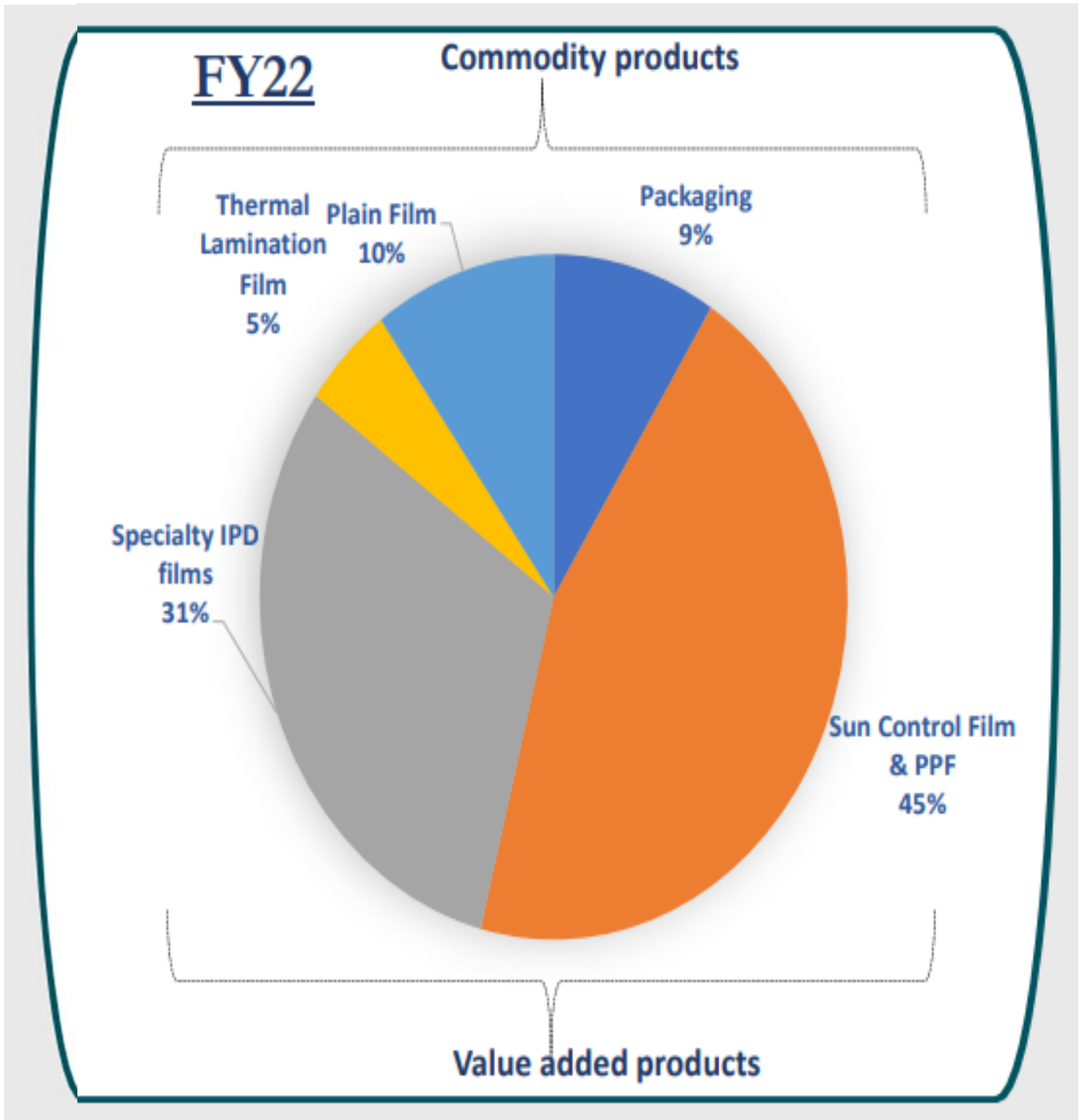
Garware Hi-Tech Films Limited (Formally Known as Garware Polyester Limited) is the pioneer and the largest exporters of **polyester films** in India. Also it is the sole manufacture of **Solar Control window films** in India and among the only two companies in the world having patented technology for manufacturing the **UV stabilized dyed films** and perhaps the only company in the world with **backward integration for manufacturing of its own raw material** and all components for manufacture of Solar control window films.

The company is the **trend-setter in Solar Control Film industry** .The Solar Control window films are sold under the well-established brands of the company that is **SUNCONTROL** window films and Global window films.

The company has commenced it production of Surface protection Film / Paint protection film at Waluj Aurangabad Location in 4th quarter of year 2020-21.

The Company also has backward integration through establishment of Batch Process Polyester Chips plant which ensures a steady stream of supply of variety of specially designed chips for the BOPET Film Lines. The Company produces wide range of products having variety of end applications. **The company manufactures Biaxially Oriented Polyethylene Terephthalate (BOPET) / Polyester Films, Sun Control Films, Thermal Lamination Films and Specialty Polyester Films also manufactures premium grade heat rejection films**

# Revenue Mix



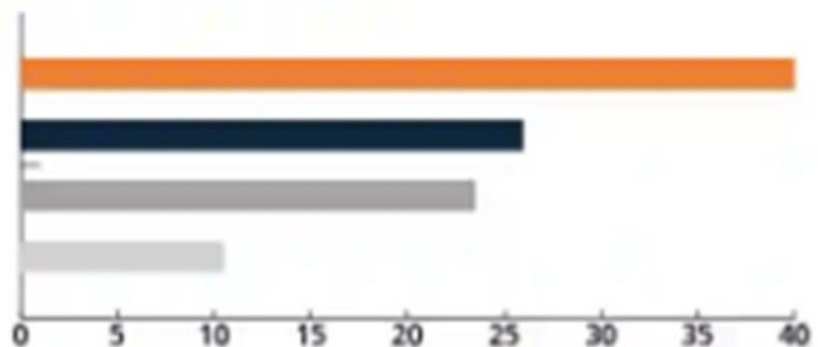
# PET Industry and its Application

The global **polyester film** market size was USD 38.58 Billion in 2021 and is expected to register a revenue **CAGR of 6.3%** during the forecast period. The surge in demand for polyester films from the food and beverage industry is the key factor driving the market revenue growth.

Polyester or PET film is a clear, robust, and lightweight plastic commonly used in the packaging of foods and beverages, particularly soft drinks, water, alcoholic drinks, edible oils, and juices. Other than these, PET films are also used to pack peanut butter, salad sauces, mouthwashes, cooking oils, shampoos, window cleaning, liquid hand soaps, household cleaners, tennis balls, and others. The U.S. Food and Drug Administration (FDA) and other health-safety agencies around the world have approved PET for contact with foods and beverages. **PET is becoming the world's preferred packaging material for foods and beverages** due to its excellent properties. In addition, PET films are gaining demand due to their usage in various industrial applications as an insulation medium.

## Application

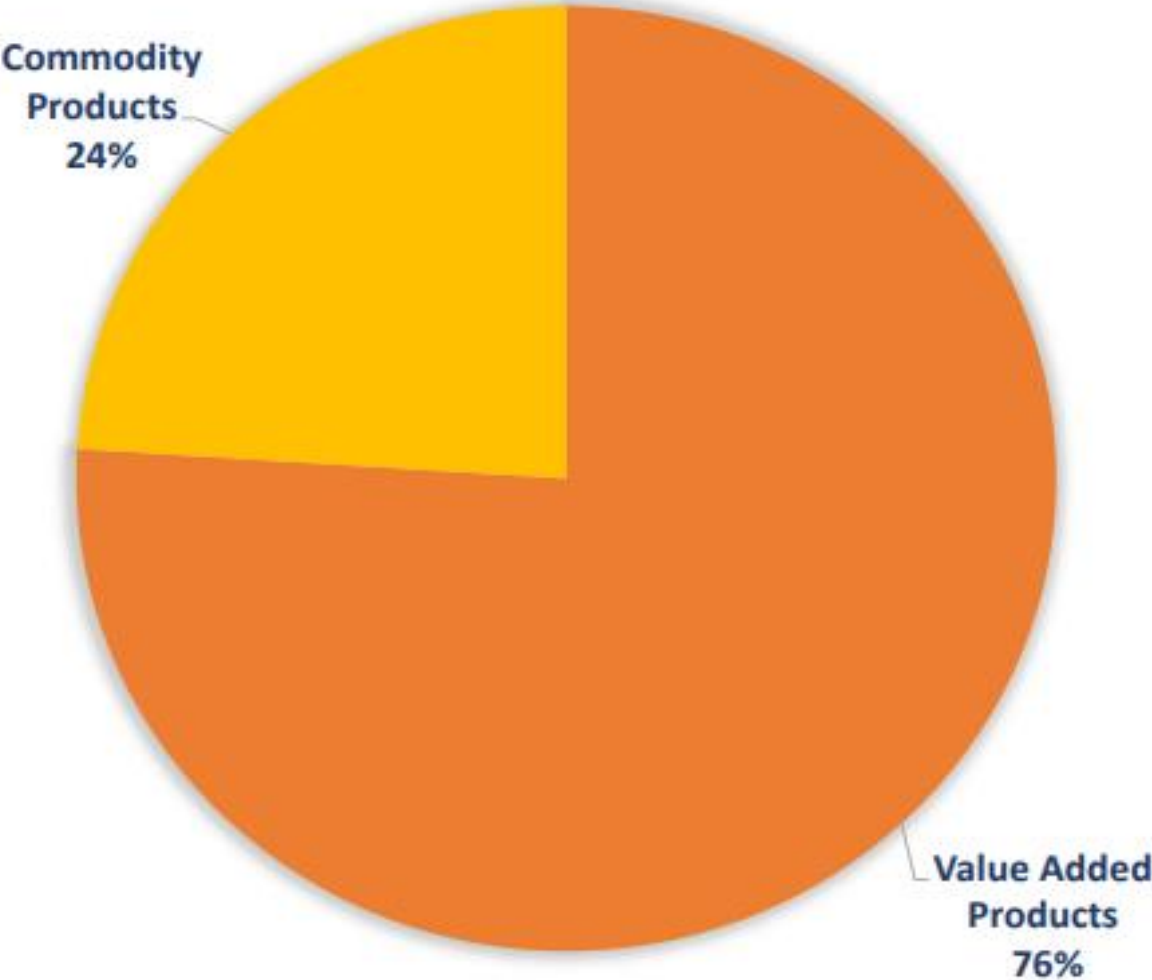
- Packaging
- Imaging
- Lamination
- Others



Polyester is a high-performance thermoplastic made up of ethylene glycol and dimethyl terephthalate. **In terms of high tensile strength, dimensional stability, high-temperature resistance and thermal and electrical insulation, chemical resistance, moisture absorption, thermal stability, and physical property retention across a wide temperature range, PET film exceeds traditional plastic films. It also has good UV resistance, high gloss, good gas barrier capabilities, improved optical clarity, and moisture resistance characteristics.** It is perfect for high-performance plastic sheets and films, and also high-quality lamination and printing. It has a rather high melting point, making it suitable for sterilizing at high temperatures. PET films are applicable for various industrial, electrical, and automotive applications. It is completely recyclable and may be reprocessed into a variety of other products for a range of uses. PET does not deteriorate as easily as paper or other cellulose polymers. **The most common polyester film is biaxially orientated PET or BOPET.** PET film is a perfect solution for food and non-food applications. The most common applications include microwave and medical packaging, tape backing, plastic wrap, plastic cards, printed films, protective coatings such as solar and safety window films, release films, transformer insulation films, and flexible printed circuits.

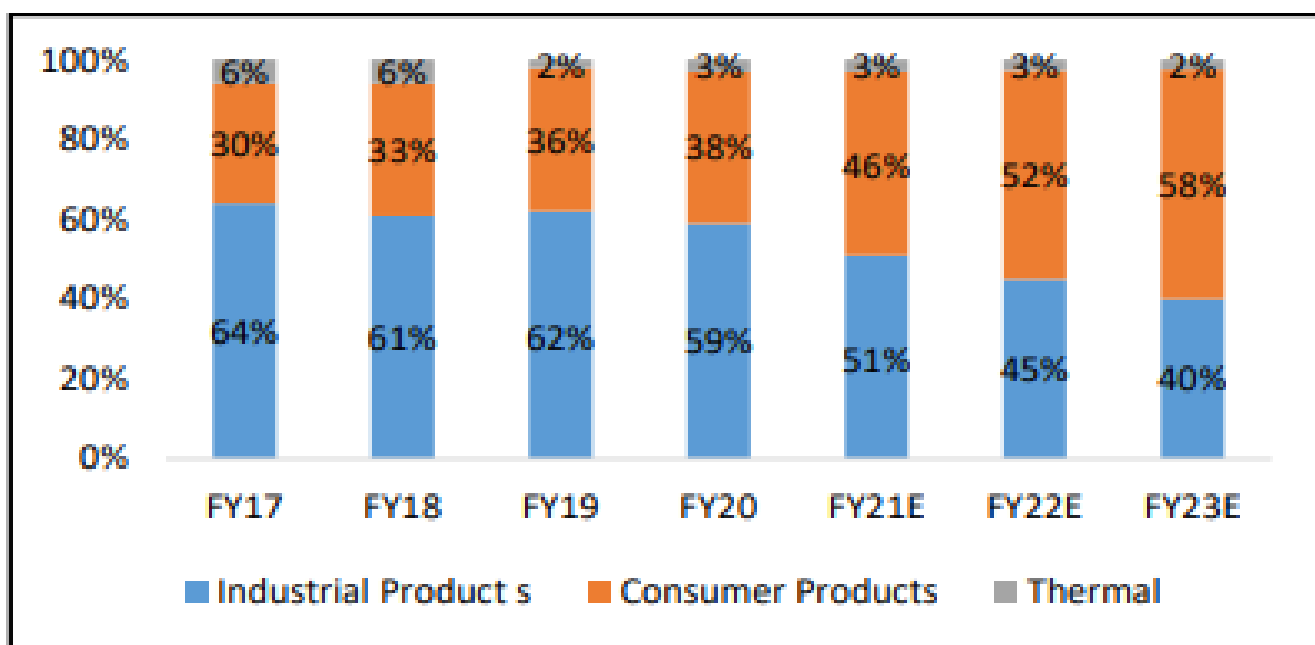
# Revenue Mix from Value-Added Products

FY22

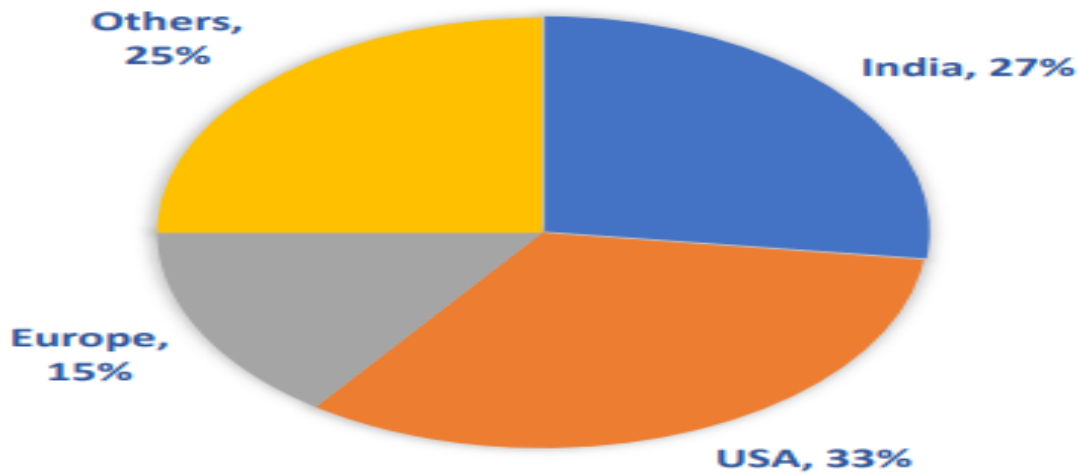




The company has transformed itself from commoditized player mainly catering to the industrial applications to a strong value add products company (FY22: 76% v/s 48% in FY17) with higher focus on consumer products. It is among the few companies in the world that has a vertically integrated chips-to-films plant with multiple and adaptable manufacturing lines that can produce a highly flexible product-mix. The company has strong presence in both industrial and consumer products space and caters to varied applications in **Automobiles, Packaging, Architectural, Solar control, Electrical and thermal insulations etc.**



The company derives 76% of its revenue from value-added products as compared to other companies which primarily deal in commodity (packaging films) products. The EBITDA margin of commodity film companies are cyclical, while the margins of GHFL are structural. GHFL is a B2C company selling branded products to customers while other polyfilm companies are B2B companies.



Exported to more than 80+ Countries worldwide  
~73% Exports contribution to Revenue in FY22

## Revenue by Region – FY22





# Polyester Film Manufacturer

The Company has developed in-house Technology for Polyester Films in India and put its first State-of-the-Art plant to manufacture Polyester Films in the year 1976 at Aurangabad in Maharashtra State, India which was the first plant of its kind in South-East Asia. The Company is the only one of its kind to manufacture its own raw material that is Polyester Chips to manufacture Polyester Films for variety of end applications such as PET Shrink Film for label application, Electrical & Motor and Cable Insulations, Coloured Polyester Films for Window Tint application, Sequin, TV Screen, Safety etc. The Company has four manufacturing plants for Polyester Film and manufactures Film of thickness ranging from 10 micron to 350 micron. The Company possesses Patented Technology for Dyed Polyester Film in India and USA and is the Second Company to the none possessing such Technology.

# GARWARE POLYESTER FILMS APPLICATIONS





**UV  
RESISTANT**

**GARWARE**



**DURABLE**

**GARWARE**



**HIGH GLOSS**

**GARWARE**

**PEE AAR SECURITIES LTD.**

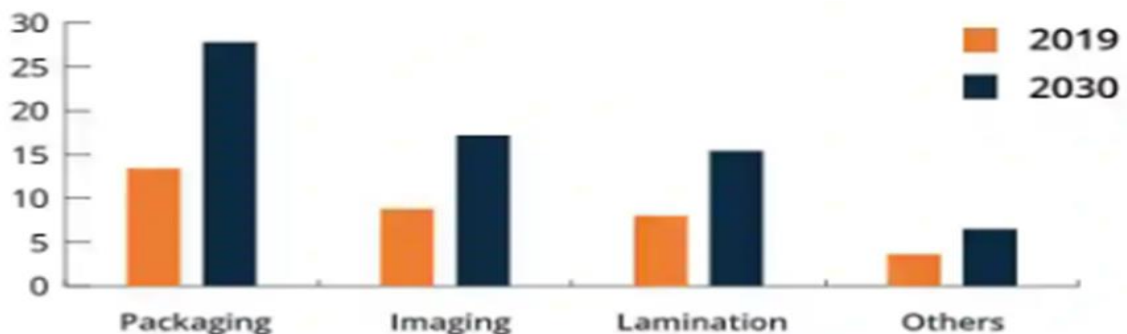


## We have a positive view on the stock on the back of:

- 1) Commissioning of new Paint protection films (PPF) plant
- 2) Capacity expansion of the laminate line from current 2400 lakhs Sqft/ p.a to 4200 lakhs sqft/p.a by Mar 2022
- 3) Higher growth in consumer products and value-add segment to be margin accretive for the company
- 4) Aggressive management guidance of achieving a milestone of Rs.1,500Cr of revenue by FY23 which translates into a revenue growth of 23% CAGR over FY21-23E.
- 5) New lamination facility to commence production, and our paint protection film to see increased volume as it has been tested and approved by our major trading partners in USA and Europe

2022-2030, market revenue will

**ACCELERATE**  
at a CAGR of **6.3%**



# Long Term Triggers

## Capacity expansion in Sun Protection (SPF) and Paint Protection Films (PPF) provides strong visibility of growth

In the Sun Protection- Automotive films, Garware is the 3rd largest branded player in US & EU and the largest exporter of these products from India. It is the only Indian company to have a fully integrated SPF manufacturing facility. The company manufactures films which provide 99% UV rejection with uniform cooling and comfort, thereby reducing hot spots. SPF has been the fastest growing segment for GHIL and key growth driver behind scale-up of consumer products segment which registered a growth of CAGR 15% over FY17-21. SPF contribution to overall revenue has increased from 36% in FY19 to 45% as on FY22.

## Increasing use in packaging applications

The introduction of ultraviolet-protected polyester films into the packaging industry has resulted in a significant shift in packaging convenience standards. Polyester offers the properties of heat resistance and printability, allowing for the development of a wide range of packaging features. In the food packaging sector, polyester films are used since they are less vulnerable to contamination from chemicals or other harmful materials.

# Risks

## The volatility of crude oil prices and depreciation / appreciation of Rupee vis-à-vis US dollar

The raw material prices have been exhibiting a volatile trend. Demand for the Company's products is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand.

**Significant addition in capacities by competitors has heated the competition.** The Company is subject to risks arising from volatile foreign exchange market as well as interest rate fluctuations, which could adversely affect its business operational results.

**Costs for raw materials** for resin manufacture and purchased resins, packaging materials, logistics, and other important raw materials **have increased**. Rising crude oil prices are causing concern to the polyester film market and has impacted company margins. Polyester film prices fluctuate due to changes in the prices of Purified Terephthalic Acid (PTA) and Mono ethylene glycol (MEG), **the basic raw materials used to make polyester chips derived from crude oil.**



# FINANCIALS

(₹ in Lakhs)

Particulars	FY 2020-21	FY 2019-20	%
Revenue from Operations	96,038.64	87,731.42	9.47%
Other Income	1,562.76	2,500.49	-37.50%
Profit before Interest, Depreciation	22,273.58	16,812.73	32.48%
Interest & Financial Charges	1,836.74	1,771.33	3.69%
Depreciation	2,383.54	2,014.78	18.30%
Profit before Tax	18,053.30	13,026.62	38.59%
Provision for Tax	6,183.58	4,332.57	42.72%
Profit after Tax	11,869.72	8,694.05	36.53%
Other Comprehensive Income (OCI) Net of Tax	3,366.94	-236.79	-1521.91%
Total Comprehensive Income For The Year Net of Tax	15,236.66	8,457.26	80.16%
Earning Per Share (Basic/ Diluted)	51.09	37.42	36.53%
Market Capitalisation	1,62,510.60	38,426.38	322.91%

# Q4 Results (Jan-Mar 2022)

Garware Hi-Tech Films Q4 Results: Profit soars 42% to Rs 45 cr. Its new facility to start operation in next qtr.

GHFL profit after tax soared by around 42 per cent to Rs 45.12 crore in January-March 2021-22. GHFL had posted a PAT of Rs 31.80 crore in the last quarter of FY2020-21

Its revenue on a consolidated basis rose by over 12 per cent to around Rs 324 crore in the last quarter of FY22 compared to Rs 287 crore in the year-ago period.

For the full 2021-22 fiscal, the company reported a 33 per cent jump in PAT to Rs 167 crore compared to Rs 126 crore in FY2020-21. Its revenue on a consolidated basis jumped by 32 per cent to Rs 1,303 crore in FY22 against Rs 989 crore in FY21.

The company also announced that its new lamination facility is nearing completion and it expects to commence commercial production by the second quarter of FY23

# KEY RATIO ANALYSIS

- **Debt Level:** GRWRHITECH has more cash than its total debt.
- **Reducing Debt:** GRWRHITECH's debt to equity ratio is **0.07%**. The company has reduced its debt over the past 5 years.
- **Debt Coverage:** GRWRHITECH's debt is well covered by operating cash flow (94.4%).
- **Interest Coverage:** GRWRHITECH's interest payments on its debt are well covered by EBIT (12.13x coverage).
- **Earnings Trend:** GRWRHITECH's earnings have grown significantly by **29.3%** per year over the past 5 years.
- **Accelerating Growth:** GRWRHITECH's earnings growth over the past year (**31.71%**) exceeds its 5-year average (29.3% per year).
- Company has delivered good **profit growth** of **49.55%** CAGR over last 5 years
- Company has been maintaining a healthy **dividend payout** of **19.78%**

Sr No	Particulars	FY 2020-21	FY 2019-20	Change
1	Debtors Turnover No of Days	33	26	29.70%
2	Inventory Turnover No of Days	36	39	-8.27%
3	Interest Coverage Ratio	12.13	9.49	27.76%
4	Current Ratio	2.35	2.14	9.65%
5	Debt Equity Ratio	0.07	0.09	-22.22%
6	Operating Profit Margin (%)	23.19%	19.16%	21.02%
7	Net Profit Margin (%)	12.36%	9.91%	24.72%
8	Net Worth (₹ in Lakh)	1,54,744.12	1,39,507.46	10.92%

Return on Equity	
10 Years:	6%
5 Years:	7%
3 Years:	8%
Last Year:	10%

Company has a low **return on equity** of **8.36%** for last 3 years.

**Return on Capital Employed** : The ROCE measures the

ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company. It has **14%** ROCE for the latest year.

# CONCLUSION

## “ WE MAY BUY “

- India's only manufacturer of Sun Control films and Paint Protection Films
- One of the reputed brands in USA, Europe and Middle East for Automotive Sun Control films and PPF
- Market leader with more than 90% market share in Shrink film manufacturing in India
- Robust financial & operational track record
- Stable earning across business cycles
- State-of-the-art Flexible Manufacturing lines
- Persistent and high growth in demand
- Fully vertically integrated, chips-to film manufacturer



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